S. HRG. 103–549

HEALTH CARE FOR VETERANS UNDER PRESIDENT CLINTON'S PROPOSED HEALTH CARE REFORM PLAN

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

OCTOBER 13, 1993

Printed for the use of the Committee on Veterans' Affairs

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HEALTH CARE FOR VETERANS UNDER PRESIDENT CLINTON'S PROPOSED NATIONAL HEALTH CARE REFORM PLAN

WEDNESDAY, OCTOBER 13, 1993

U.S. SENATE,
COMMITTEE ON VETERANS' AFFAIRS
Washington, D.C.

The Committee met, pursuant to notice, at 10:00 a.m., in room SD–106, Dirksen Senate Office Building, Hon. John D. Rockefeller IV (Chairman of the Committee) presiding.

Present: Senators Rockefeller, Mitchell, Akaka, Daschle, Campbell, Murkowski, and Thurmond.

Senator MURKOWSKI. [assuming Chair] Good morning. I'm going to call the hearing to order. Our chairman is stuck in traffic somewhere between here and there. So rather than try and help him out, we're going to have to leave him to his own means. He knows the way, so he will be here very shortly I'm sure.

OPENING STATEMENT OF SENATOR MURKOWSKI

I'm pleased to be here today to participate in this very significant discussion, inasmuch as we're prepared to discuss the VA's role in the administration's proposal for national health care reform. I welcome you, Secretary Brown. I welcome your testimony. We hold in our hands, as you're all aware, the responsibility for the health care needs of approximately 26 million veterans and the fate of a vast and varied health care system that is under significant change.

With a fiscal year 1994 budget of approximately $15.6 billion, VA health care spending represents roughly 2 percent of overall health care spending in the country. We operate approximately 171 medical centers, 350 outpatient community and outreach clinics, 126 nursing home care units, and 35 domiciliaries. The VA, as we know, is the largest health care system in the world.

With its broad spectrum of services, from hospitals and long-term care expertise to spinal cord injury, post-traumatic stress disorder counseling and treatment, the VA provides the most comprehensive and diverse kinds of care of any single health care system. I say this to quantify and qualify the challenge that is before us today. The VA health care system should be preserved. The VA health care system

should be enhanced. And now is a critical time for us to shape and determine the VA's future role in caring for our Nation's veterans.

There are areas of reform that are needed. We will be interested in hearing the discussion today with regard to eligibility reform initiatives. This matter has been apparently put on hold because of some of the difficulty in agreeing just what reforms are specifically needed. But clearly in the area of outpatient and inpatient care, we have a catchall, and it is very difficult for those in the administration of the VA to explicitly determine qualifications. So I would hope that the proposals this morning touch on that.

We need to address the significance of the current eligibility criteria. We have got problems with access and resource allocation. They will continue to be problems and we must address them. So I highlight those, Mr. Secretary, to indicate some of the frustration at our end as well as your end with regard to the administrative parameters that you have to work under.

Finally, towards the end of the hearing I know there are going to be many questions from members with regard to the President's plan for the VA. I am going to keep my comments brief and reserve my time for questions as well. So let me say again, Mr. Secretary, we welcome you, we welcome your staff. We look forward to your testimony today.

I would call on the other members at this time. I wonder if you would defer to Senator Thurmond, if that agreeable.

Senator Thurmond, would you care to make an opening statement?

Senator THURMOND. I'm a little hoarse. I ask unanimous consent to submit my statement for the record.

Senator MURKOWSKI. Your statement will be put in the record as if read.

[The prepared statement of Senator Thurmond appears on page 34.]

Senator MURKOWSKI. Senator Akaka.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. Thank you very much. Mr. Secretary, I want to congratulate you and your staff for working so hard to produce what I hope is a sound plan for reforming the VA health care system. Just as the President deserves credit for taking on the monumental task of health care reform, you deserve credit for helping to work out the details of VA's role in the proposed new health care environment. I am certain that you are a major reason why veterans and the VA system appear to have retained a highly privileged and independent status under health care reform.

Having said this, there are many questions about VA's role under health care reform that need to be answered; for example, how will VA fare in competing for patients against other health plans? Will VA be allowed to offer services to nonveterans? Will the plan require additional Federal appropriations? How will VA meet the challenge of eligibility reform? These, Mr. Secretary, are just some of the questions that will need to be answered before Congress can act on the plan.

I look forward to working with you, Mr. Secretary, in the coming months, to ensure that these questions are fully answered to the satisfaction of members of this Committee and of veterans themselves.

In the meantime, let me again commend you and the President for having the vision, the courage, to undertake this great challenge.

Thank you very much, Mr. Chairman. I have a few questions that I will ask at the proper time.

Senator MURKOWSKI. Thank you.

Senator Daschle.

OPENING STATEMENT OF SENATOR DASCHLE

Senator DASCHLE. Thank you, Mr. Chairman. Mr. Secretary, again, welcome to the Committee, and let me again publicly thank you for your willingness to travel to South Dakota, as you did over the last couple of days. You were an extraordinarily effective advocate for the administration and for veterans as we begin discussing the issues surrounding health care reform. I must tell you, the reaction, the response that we've had since you've been there has just been tremendous. I appreciate that immensely and appreciate very much your willingness to share your vision about health care reform with veterans in South Dakota. Also, as Senator Akaka has indicated, I appreciate your articulate advocacy of veterans' needs as we deliberated reform during the task force sessions of last spring and summer. Were it not for your presence and very aggressive involvement with all of the decisions, I am not sure that we would have done so well. And so I commend you for that involvement and your continued commitment to a very important role for VA health care as we consider health care reform in America.

Having examined the plan as carefully as I have and having listened to you yesterday, it seems to me there are three fundamental components of the plan that are extraordinarily important. The first, and perhaps most important, is that the Department of Veterans Affairs health care reform effort includes an independent VA. That independence is critical to the veterans' community, and I think it is critical to the success of the unique role the VA plays in providing health care to millions of veterans each and every year. That is one of the essential elements that needs to be emphasized over and over again, that we retain the independence we have today.

The second issue is access. We have expressed a good deal of interest across the board in providing people with choice. What veterans often tell us is that, if they had the choice, they would love to go to a veterans facility. Today they often don't have that ability. So to have that choice, to have that opportunity to enter a VA facility, regardless of income or disability rating, is a very important quality that we need to continue to emphasize to the veterans' community and to our fellow legislators.

The third point that is equally important in the long run for the VA system itself is the method of financing. The VA today continues to be held hostage, in my view, to the appropriations process. For example, we would love to have a nursing facility in South Dakota next year. We're told that, because of inadequate appropriations, we cannot have a nursing facility in our State any earlier than 1997. That, to me, is inexcusable. I don't blame the VA. I certainly don't blame you or the administration—because I recognize the constraints of the budget process. But we have to find a way to provide more resources and more

opportunities for the VA to compete effectively with the private sector when it comes to health care. So, having the opportunity to be reimbursed through the health alliances across the country, to be reimbursed from Medicare, and to be provided appropriations, seems to me to offer the kind of pooled resources nationally that we've got to have to allow the VA the strong viability it needs to compete.

So, for those three reasons, Mr. Secretary, I am very pleased with this plan. I am hopeful that at the very earliest date we can enact it, because I think the primary beneficiaries of this plan will be the veterans for whom we all advocate when we come to meetings like this.

Thank you, Mr. Chairman.

Senator MURKOWSKI. Thank you, Senator Daschle. I might remind you, not to be outdone, that Hershel Gober is in Alaska receiving an honorary degree and spoke to a very distinguished group of academics in Anchorage yesterday.

Senator DASCHLE. And he had to go a lot farther to get to Alaska. [Laughter.]

Senator MURKOWSKI. He had to go a lot farther, but that's all right; we do what we have to do. [Laughter.]

Senator Campbell.

OPENING STATEMENT OF SENATOR CAMPBELL

Senator CAMPBELL. Thank you, Mr. Chairman. I would ask unanimous consent to submit an opening statement for the record.

Senator MURKOWSKI. So noted.

Senator CAMPBELL. As this year is a turning point for all Americans in health care, it is also a turning point for veterans' health care. As I understand this draft of the health care benefit reform package, I think that veterans are going to benefit from it—and that certainly is of interest to the 405,000 veterans in my State, and to me, personally, as a veteran.

As I understand it, first, under the President's VA health care reform proposal, the VA will be able to retain its independence and unique mission as a number one priority. Secondly, the plan ensures that veterans with service-connected disabilities and low income veterans will be entitled to a comprehensive health care package, as all Americans should be. Third, higher income veterans without service-connected disabilities could choose the VA system or choose another system; I think choice is important to veterans, as it is to all Americans. Fourth, related to this, it makes available major new resources to provide comprehensive services. And finally, and most importantly, the reform plan will ask the VA to treat veterans as customers.

I am certainly pleased that Secretary Brown is here and I look forward to his testimony. Thank you.

[The prepared statement of Senator Campbell appears on page 33.]

Senator MURKOWSKI. Thank you, Senator Campbell.

I think we're ready to hear what we came for this morning, and we look forward to your testimony, Mr. Secretary. If you would care to introduce your colleagues, or I could introduce them; I will leave it up to you.

Mr. BROWN. Why don't you, sir.

Senator MURKOWSKI. Fine. Accompanying the Secretary is Mr. Mark Catlett. Mark is the Assistant Secretary for Finance and Information Resources Management. Dr. John T. Farrar, Acting Under Secretary for Health, we welcome you this morning; Ms. Mary Lou Keener, who is General Counsel; and Dr. Victor P. Raymond, Assistant Secretary for Policy and Planning.

Mr. Secretary, I think we're ready for you. Please proceed.

STATEMENT OF THE HON. JESSE BROWN, SECRETARY OF VETERANS AFFAIRS, ACCOMPANIED BY MARK CATLETT, ASSISTANT SECRETARY FOR FINANCE AND INFORMATION RESOURCES MANAGEMENT; JOHN T. FARRAR, M.D., ACTING UNDER SECRETARY FOR HEALTH; MARY LOU KEENER, GENERAL COUNSEL; AND VICTOR P. RAYMOND, SC.D., ASSISTANT SECRETARY FOR POLICY AND PLANNING.

Mr. BROWN. Thank you very much, Senator Murkowski.

Let me begin by thanking you and members of the Committee for giving me this opportunity to discuss with you the President's plan for national health care reform. As you know, I was a member of Mrs. Clinton's health care reform task force. VA staff participated fully in all of the workgroups that were formed to address issues and develop material for the President's plan. I personally felt a great sense of hope and anticipation when the President addressed you and other members in the Joint Session on health care last month. I was personally moved when the President said, "This is our chance, this is our journey, and when our work is done we will know that we have answered the call of history and met the challenge of our time."

A large part of that challenge involved providing the health care of America's veterans. I am pleased and excited that the President and the First Lady have said that the VA will continue to be an independent system. We believe that the Department of Veterans' Affairs' health care delivery system will be strengthened by the President's proposal.

The President's plan for national health care reform provides security for all Americans by ensuring lifetime affordable health care coverage. All Americans will have the freedom to choose the health care plan that best suits their needs. We believe that the VA is in a position to be the clear choice for many veterans because the VA's system is uniquely suited to meet their needs.

I am pleased to say that the major veterans service organizations were included in the decisionmaking process when the VA elements of the proposal were considered. So I am confident in telling you that the veterans will find that the President's plan is a balanced approach to their needs. This plan will take us into a new area of dependable, affordable health care. It will increase choices for consumers, control costs, improve the quality of care, reduce paperwork, and provide a comprehensive health care package. And the word "comprehensive" was not chosen lightly. All Americans will be guaranteed coverage for hospital, physician, emergency services, prescription drugs, preventive care, mental health, substance abuse, and much, much more. I am very, very pleased that all veterans who choose to enroll in a VA plan will receive that comprehensive package of health benefits and other

specialized services unique to the VA for which they are eligible. So the reform program is especially good news for veterans.

It means that all veterans will have access to the VA. It means that service-connected and low income veterans who choose the VA will pay nothing for care—no premiums, no copayments, and no deductibles. It means that service-connected and low income veterans not eligible for extra VA services not included in the national package will remain eligible for those services, services such as long-term nursing home care, treatment for spinal cord injury, rehabilitation for blind persons, custom-fitted prosthetic devices, dental care, medical services including eye glasses, hearing aids, and so forth.

The health care reform proposal means that higher income veterans can use Medicare and other third party insurance to receive their care from the VA. So this is clearly good news for veterans and I believe that it is also good news for the VA.

Since veterans will have a choice of where to get their care, the very existence of the VA system will depend on whether veterans choose the VA. Our future will depend on objective comparisons with other providers, and I say that it is about time. For too long the VA has not been treated fairly. The image of health care has been badly distorted. Isolated incidents are often reported as an indication that the whole system is bad. You and I know better. On the other hand, the good things about the system are seldom reported. It is not news when we do our job and do it well.

So I welcome the opportunity to have people take a fair look at the VA. When they do, they will see a history of scientific breakthroughs, they will see that our ratings on quality are higher than the national average, they will see our special sensitivity to and our ability to treat conditions that may be related to military service, they will see that the VA has a solid record of providing quality and specialized care as part of a comprehensive benefits system. I believe veterans will choose the VA as their health care provider because our employees are talented, dedicated, and they truly care for this Nation's veterans. Lincoln's words, "To care for him who shall have borne the battle," are more than a historical statement. Those words live on in the form of compassion and respect which the VA family feels for the veterans whom we serve. And I believe this makes a real difference and will make a real difference to the veterans who will receive care from the VA in the future.

Mr. Chairman, we recognize that the VA has to make some changes and make improvements in its health care delivery system in order to make this proposal work. By the same token, this proposal gives us the opportunity to make the improvements that everyone knows we needed to make for the last two or three decades. We have a system with large backlogs of equipment and maintenance needs, with an over-reliance on inpatient care, with inadequate ambulatory care facilities, and with staffing stretched too thin in some places. The President's proposal to put the VA system on a more solid financial footing will enable us to meet a needed shift toward more primary care and will provide simplified and rational eligibility rules for inpatient and outpatient care.

So you see why I consider this such a great opportunity for the VA. In anticipation of the enactment of the national reform, we have many of these implementation steps already in progress, and we are improving our management care programs and enhancing our ability to deliver primary care. The VA system will be able to continue its support of medical research and health care education and training.

My personal belief is that the VA's participation in a national health care reform will allow the VA to prove that it can be a model, because the VA already is a national health care delivery system operating under a global budget. VA already is a managed care program combining cost efficiency with quality assurance. VA already has demonstrated how to pay the bills through combinations of appropriated funds and third-party reimbursements. And VA already offers comprehensive care ranging from preventive services through specialized care for the aging.

Mr. Chairman, I cannot state strongly enough our willingness to work with you to address points in the plan that may not be clear and to answer questions. The President's proposal deserves to be enacted and I believe it preserves the VA health care system for our Nation's veterans and, for the first time in history, provides the means to allow all veterans access to their system.

Mr. Chairman, this concludes my statement. I would be delighted to respond to any questions that you or members of the Committee may have.

[The prepared statement of Secretary Brown appears on page 35.]

Chairman ROCKEFELLER. [assuming Chair] Thank you, Mr. Secretary. We will proceed with the questioning, starting with Senator Murkowski and then following on through in the order of arrival.

[The prepared statement of Chairman Rockefeller appears on page 32.]

Senator MURKOWSKI. I guess, Mr. Chairman, enough said as to when you're going to be questioning. But we do appreciate the fact that you found your way through the traffic and trust you didn't get a ticket. Is that fair enough?

Chairman ROCKEFELLER. That's fair enough.

Senator MURKOWSKI. Notice, you can't tell by his face whether he got a ticket or not.

In your statement, Mr. Secretary, you indicate that service-connected and low income veterans enrolled in a VA plan would continue to receive free health care from the VA and would not be subject to any cost-sharing for care they receive. If there is a service-connected veteran that has insurance from his employer, then I would assume that the employer's insurance would be called upon in that case and the VA would receive reimbursement.

Mr. BROWN. That is correct. Under the present plan, everyone who is employed will pay into the alliance.

Senator MURKOWSKI. And it is my understanding the service organizations had a little problem with that because traditionally they feel—I see some heads nodding back there—it has always been an obligation of the Government to provide medical service for service-connected veterans. So this is, indeed, a departure from that. Perhaps

this might be an opportunity to give the service organizations a little more understanding of why this has to be.

Mr. BROWN. Quite frankly, the service organizations are aware of the plan. We kept them advised throughout the process. This is an area where we need to go back to the drawing board and to work out the details. I think, however, that it is important to remember that what we have placed on the table is a broad outline, a conceptualization. The details at this point have not been worked out, have not been formalized. As we move toward working out those details and placing them on the legislative agenda, the question of providing care without cost whatsoever to our service-connected veterans will receive appropriate consideration.

Senator MURKOWSKI. But it is fair to say from your comments that the details so far with regard to service-connected, if they have insurance, is that the administration is going to look to the insurance company and/or employer for reimbursement to the VA.

Mr. BROWN. As the proposal is designed at this point in time, every employed American will make a contribution to the alliances. If a service-connected veteran is employed, his employer will make that 80 percent contribution and if he/she decides to elect VA as their provider of care, then the alliance will receive the money for that care.

Senator MURKOWSKI. And that's not negotiable as far as the VA is concerned?

Mr. BROWN. I am not saying that is not negotiable. That is one of the areas we're going to have to do some work on. We had extensive conversations with our service organizations and, I might add, Senator, I am on record as agreeing with them philosophically. I am opposed, quite frankly, to any program where service-connected veterans have to pay for the care of diseases or injuries that were incurred during service. We are going to work that out. I cannot over-emphasize how important it is that we not lose sight of the fact that this is a broad outline, this is a conceptualization we're working from at this point, and we are continuing to work out the details.

Senator MURKOWSKI. I wonder if, for the record, any of your colleagues might provide us with an estimate of what the revenue potential to the VA from claims from employers through their insurance company might be under this change of generating reimbursement from service-connected veterans receiving health care.

Mr. BROWN. At this moment, we are working on the various avenues or options available to us. As soon as that information is available, we certainly will provide it to you.

Senator MURKOWSKI. Dr. Raymond, do you have any estimates yet relative to what the revenue potential might be?

Dr. RAYMOND. Two points, if I might, Senator. First, for the most part, under the health alliances, we're not talking about the old style insurance reimbursement issue.

Senator MURKOWSKI. Right.

DR. RAYMOND. It is a contribution from employers, the States, and the Federal Government in some way to fund health care for all Americans. So that in order for the VA to be a provider, the broad outline now, as the Secretary said, is that the health alliance payments would go to them. So for the purposes of reimbursement, it would be

the higher income veterans who may have Medicare, and it depends entirely on how many people choose the VA.

Senator MURKOWSKI. So you don't have a figure. Okay. Fair enough.

Currently, the VA medical facilities do not have any real experience in functioning in a competitive environment where cost and revenues must be managed. What happens to VA facilities that are not able to compete, and how will appropriation levels be determined at VA hospitals who will be retaining reimbursements from other sources? I am curious to know how that is going to mix. In other words, if they can't compete, do they fall out, or is there going to be a special appropriation provided to make up the difference? Do we have any answers in those areas?

Mr. BROWN. At this point, obviously, we do not have answers to that, but the whole system is designed to allow VA to be competitive. Quite frankly, we think we can be competitive. We have much more experience than a lot of health care providers out there who are going to have to find new ways to conduct their business. As I mentioned to you, because of our size, we have a unique history of operating under a global budget. They are going to have to learn how to do that. We also have a tremendous history and experience in paying the bills through combinations of third-party reimbursement and appropriated funding. They are going to have to learn how to do that.

Obviously, as we move toward a situation where we will be making decisions based on experience, then we will have to deal with those particular entities at that given time. But I think I should point out that as we look at this, you cannot consider this as a whole system. We will be looking at each of our health care providers as part of a given alliance, so each one would be based on their own individual merit. We will consider how to respond to the kinds of problems you raise once we have enough data to suggest that we need to make some changes.

Senator MURKOWSKI. I would be happy, Senator Mitchell, to interrupt my questioning if you would like to question. We're honored by your presence.

Senator MITCHELL. Thank you very much, Senator, for your courtesy. Why don't you go ahead and complete your round of questioning, and then, Mr. Chairman, if I might after that, I would appreciate it.

Senator MURKOWSKI. If you're on a time schedule, you are certainly welcome to proceed.

Senator MITCHELL. I've got a few minutes. Thank you.

Senator MURKOWSKI. Thank you, Mr. Leader.

Well, as a followup to that, Mr. Secretary, and the competitiveness factor, which is, of course, of some concern to those health care providers that the VA is going to be in competition with, I am curious to know if you expect your health care appropriation to continue to grow. It has been growing by about a billion dollars a year. The private sector, those that are going to be in competition, are obviously going to be concerned about the ability to compete with the VA based on a realization that the VA has had a history of an increasing appropriation. That can make competitiveness a real problem. I wonder how you will attempt to deal with that.

Mr. BROWN. First of all, I take issue with the statement that VA has grown by a billion dollars a year. The fact of the matter is, that billion dollars a year just really allowed us to maintain current services. If you look at the VA's budgetary history, you will find for the last 25 years we have been operating primarily on a flat line.

But to move on to your question on whether or not we're going to continue to need appropriated funding, I guess I would respond by saying I believe that the Nation has an obligation to take care of our Category A veterans, our service-connected veterans. We have approximately 2.3 million of them on the rolls, and many are not on the rolls, primarily because they, for whatever reason, elect to receive their full retirement from the military based on longevity. Many others are rated 0 percent. They are a responsibility of the Government. Certainly we expect that the Government will continue to provide funding for that, to include our lower income veterans. Those are our Category A. We think the appropriation process should continue for them.

As we gain more and more experience, and look at other funding streams that will be coming into the VA (from Medicare, from CHAMPUS, from the alliances themselves) we will be able to evaluate our needs based upon the mix we establish at the very, very beginning. Here, too, I think that's going to be based on experience.

Senator MURKOWSKI. Well, that's reassuring. Let me move over here to my last question. In your view, you are about to embark on opening up the VA to dependents of veterans, an area that the VA has not had practical experience in. You haven't had the option or requirement to provide for family care. I am curious to know if this is better to include in the extended VA care, or if the VA should do what they do best, and that is to serve veterans as opposed to dependents? Isn't there going to be enough competition out in the other area of the private sector, or is it necessary that the VA get into dependent health care?

I am told that many of the capabilities of the VA are not geared to the family, that the VA would have to either hire and develop an expertise in this area or contract out this service because of the lack of trained professionals and the capability and history in this area. So my question is, do you want to be all things to all people and can you compete in that kind of an environment, or, indeed, are we going to be contracting out various services as you look at the evolution of the VA health care system?

Mr. BROWN. First of all, the plan we presently have that I keep referring to as a broad outline, gives the Secretary discretion to treat dependents. However, it is not my intent to implement that in the beginning. What I want to do is to open the system up to all veterans. Right now, we're treating approximately 2.5 million veterans, primarily service-connected veterans and low income veterans, and virtually everyone else is locked out of the system. I want to open the system up to them.

In order to open the system to those veterans, we are going to have to be competitive. We are going to have to be attractive. To be attractive, we have to say to the veterans, "If you enroll in VA, we will take care of your needs. We will also take care of your dependents' needs. However, they will not be treated in the VA; we will contract

that out." In other words, funding will come from the alliance to VA for the entire family. We will take care of the veteran in the VA, and if his wife needs care, we will contract that out with another provider in the alliance. That way we are managing the care of the entire family and at the same time we are not actually opening up the system to dependents at this point.

Senator MURKOWSKI. Thank you, Mr. Secretary.

Chairman ROCKEFELLER. Majority Leader Mitchell.

Senator MITCHELL. Mr. Chairman, thank you very much, and thanks to my colleagues for their courtesy in permitting me to make a brief statement. Mr. Chairman, I begin by asking unanimous consent that the full text of my statement appear in the record.

Chairman ROCKEFELLER. Of course.

OPENING STATEMENT OF SENATOR MITCHELL

Senator MITCHELL. Mr. Secretary and the other members of the panel, I will not be able to stay because I must be on the Senate floor to perform other functions, but I wanted personally to come this morning, if briefly, to convey my sense of the importance of the challenge that we face, both as to the members of this Committee and as to you, Mr. Secretary. I commend the Chairman for holding this hearing and I look forward, Mr. Secretary, to your testimony and that of your colleagues on the administration's plan for veterans health care. To be credible, any plan for health care must meet the threshold test of providing health insurance for all Americans, and it must ensure that health care costs are controlled. The President's plan meets that threshold test. It will assure access to health coverage for every American and it contains meaningful cost containment strategies.

With respect specifically to veterans, we know they have risked their lives to protect this country. I believe it therefore essential that in return, this country reaffirm its commitment to provide quality care to these men and women as the country moves to reform the overall system of health care for all of its citizens. I believe the President's proposal is an excellent starting point, particularly as it pertains to veterans.

Mr. Chairman, at this point I ask unanimous consent to place in the record a copy of the letter I received from Secretary Brown conveying his letter to the President that was, in turn, accompanied by letters of endorsement from a number of veterans organizations.

Chairman ROCKEFELLER. It is done.

[The referenced correspondence appears on page 46.]

Senator MITCHELL. It has been my experience over many years that the members of this Committee have traditionally worked on a bipartisan basis. We now face a legislative challenge that will take all of the knowledge, cooperation, and experience that the members of this Committee have developed over many years. Our task is to work with the administration, the veterans service organizations, and the system's many dedicated and knowledgeable health care professionals to see to it that the VA medical care system is provided the resources it needs to function effectively under health care reform, that the VA's role in the Nation's overall health care system is strengthened and

improved, and that the VA can continue to meet this Nation's enduring and fundamental obligation to its veterans.

Mr. Chairman, I look forward to working with you, Senator Murkowski, Senator Thurmond, and all of the members of the Committee in what I think is as important and urgent a legislative challenge as this Committee has faced for many years.

[The prepared statement of Senator Mitchell appears on page 32.]

Chairman ROCKEFELLER. I thank the Majority Leader and I surely agree with what he has said.

Chairman ROCKEFELLER. Senator Thurmond.

Senator THURMOND. Thank you very much. Mr. Chairman, I am a little hoarse and I have asked unanimous consent that my statement appear in the record as if read. I want to commend the Chairman and the ranking member for holding this meeting. I especially wish to commend all who have had a part in promoting veterans in every way possible. Mr. Secretary, we are very pleased to have you here and I want to commend you for the fine job you are doing. Thank you.

Chairman ROCKEFELLER. Thank you, Senator Thurmond.

The Senator from the southern Dakotas.

Senator DASCHLE. Thank you. I appreciate the Chairman's recognition and the fact that he is from the western part of Virginia is also recognized and acknowledged. [Laughter.]

I wanted to follow up, Mr. Secretary, on a couple of good questions that Senator Murkowski asked with regard to the effect of this plan on service-connected veterans, just to clarify it for the record. It is my understanding that under this plan, service-connected veterans will not be required to pay anything for health care under any circumstances. Is that a correct statement?

Mr. BROWN. Yes, sir, that is correct, Senator. Let me give you an example. Let's assume that we have a bilateral amputee with one arm missing and one eye missing as a result of a booby trap in Vietnam. He happens to be self employed. Because he is self employed, he will be mandated under the national program to pay into the alliance. If he chooses VA, then that money stream would come from the alliance to VA. Even though he will pay no copayments or premiums or deductibles, that can be interpreted as if he is actually paying for his care.

Senator DASCHLE. Let me ask you this. It is my understanding today that a service-connected veteran can receive nonservice-connected health care in a VA facility, but is not guaranteed nonservice-connected health care under those conditions. Is that correct?

Mr. BROWN. Yes, sir.

Senator DASCHLE. So it would seem to me that this is really no different than what that service-connected veteran today faces. If that service-connected veteran wants to ensure that in all cases he or she will get care for nonservice-related health problems, he would probably have to go out and buy insurance for it; would he not?

Mr. BROWN. Yes and no. Let me take the "no" part of it. Under current law, a veteran who is rated 50 percent or more is entitled to comprehensive care for just about everything, including nonservice-connected disabilities. So here, he theoretically would not have to pay anything for any of his care, whether it was service-connected or

nonservice-connected. One of the proposals in the President's plan is that no veteran will receive less than what he or she is entitled to today. Some say that if a self-employed veteran or veteran's employer pays into the alliance, that can be interpreted as paying for that care once they enroll in a VA plan.

Senator DASCHLE. So what we are talking about here is a threshold issue, because those who are 50 percent or greater today have access to care of an unlimited nature, those who are below that 50 percent threshold do not have access in all cases.

Mr. BROWN. Yes, sir. Correct.

Senator DASCHLE. Therefore, in those cases, veterans would actually do better in the sense that they have access, while those at the 50 percent threshold, it could be argued, do not.

Mr. BROWN. Absolutely. The ones from 0 to 40 percent, they come out like a fat rat in a cheese factory.

Senator DASCHLE. What was that again?

Mr. BROWN. A fat rat in a cheese factory.

Senator DASCHLE. A fat rat in a cheese factory. I'll remember that one.

Thank you for that clarification. Let me ask about rural veterans. You heard some expressions of concern about rural veterans and their opportunities to access health care in remote parts of our country. Given your answers yesterday, I know you are obviously concerned about that. For the record, how would you address the concerns that rural veterans have with regard to access to good health care today under a new system?

Mr. BROWN. Obviously, if we are talking about access, we interpret access at two levels, in two dimensions. One, we want to open up the system to people who have been locked out, as you so eloquently mentioned in your opening statement. Also, access means those that are eligible can gain admission to get quality care in a timely way, close to their residence.

The President's plan is very, very concerned about people living in rural areas. VA is very concerned about veterans living in rural areas. As a result, we are working hard right now to address that issue. We are looking at moving toward a number of outpatient clinics that will allow us to provide primary care in rural parts of communities, as satellites to a tertiary hospital that may be centrally located within a hub.

Senator DASCHLE. Mr. Secretary, you mentioned that yesterday, and I think that that's a laudable approach. I certainly hope that we can work with you to create a network of outpatient centers. We want to focus as much as possible on primary care, on preventative care. And there is no better way to do that than to provide greater access to routine care for veterans and others. And the best way to do that, it seems to me, is to give them greater access to the kind of outpatient services that clinics such as these could provide. So I certainly appreciate that approach and hope we can work with you on it.

I see the red light is on. Let me thank you again.

Mr. BROWN. Thank you, sir.

Chairman ROCKEFELLER. Senator Daschle, I hope you will stay around because you will probably have some more questions, being as

knowledgeable as you are. It is just five minutes for Senator Akaka, five minutes for me, then it is right back to you, sir.

Senator DASCHLE. Mr. Chairman, as you know, currently there is a Finance Committee hearing on health care going on as well. I am going to be splitting my time this morning between the two committees. But I appreciate your kind offer.

Chairman ROCKEFELLER. Very good.

Chairman ROCKEFELLER. Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman. Mr. Secretary, a recent Washington Post article asserted that there were "numerous studies" that pointed to substandard VA care at high cost. I think you ably refuted that assumption made by the newspaper about the quality of care in VA facilities. However, the fact that the assumptions were made in the first place is itself an indication that there is a widespread perception that VA health care is not as good as that received at private facilities.

My question is, how will VA be able to compete in the new health care environment, given this perception? And how can VA hope to attract new patients or even retain the old ones if this image persists?

Mr. BROWN. Let me respond to your first question. Obviously, we have had a problem with our image. I think it is very, very unfortunate that an organization of 171 hospitals, over 350–some odd clinics, 260,000 employees, all working hard on behalf of our veterans, are not given the kind of credit that they deserve. With respect to medical care, I am reminded that we provide over 24 million episodes of care annually—24 million episodes of outpatient care—and approximately 1 million inpatient episodes to 2.5 million veterans. By and large, we do that with very, very few problems. We have had problems in places like Cleveland, Poplar Bluff, North Chicago. In the media, these problems have been stretched to the point that people have concluded the entire system is bad. But that's not the case.

The Joint Commission on Accreditation scores VA consistently higher than its counterparts in the private sector; in fact, by 10 points. But we don't hear that. We do not hear that most of our hospitals have some of the best physicians in the entire world because they are affiliated with some of the best medical schools in the entire country and, indeed, the entire world. We are able to use those skills not only for teaching the 100,000 or so professionals that we provide training for each and every year, but also to provide good strong quality medical care.

So one of the things I want to do, and we will do in order to be competitive, is make that information available to the public. Right now, our people are working very hard, looking at legislation that will allow us to advertise to let the American people know that VA is a good system, that if something happens to their sons or something happens to their daughters, that VA is there to do everything it can to minimize the impact. We want to bring that to the attention of the American people and we are going to do that.

The other thing you mentioned has to do with how are we going to attract new people to the system, how we are going to get our market share. I think we are going to get our market share for a number of reasons. Number one, quality. There is no substitute for quality. We

have to be able to provide the same quality care as the Mayo Clinic or Johns Hopkins University and some of our other fine medical institutions around the country. If we can't do that, we should be out of business. But we are doing it and we will continue to do that. So we will provide quality care.

The other thing that I think is very important is we have a long history of providing care that is unique to military service. When you look at the advances and the information we have been able to collect as a result of veterans suffering from exposure to Agent Orange, as a result of veterans being exposed to ionizing radiation, all of those things would not have taken place, including the work that we're doing on our Persian Gulf veterans. We are getting ready to move more into research there. That would not have happened if it were not for VA. We would not be where we are in terms of our spinal cord injury facilities if it were not for VA, and primarily as a result of the Vietnam war. So those kinds of things the veterans are going to find very attractive.

Secondly, as I mentioned to you in my opening statement, most all of the people currently receiving care, the 2.5 million who constitute our system as we know it today, will pay no copayments, no premiums. That is a financial incentive. We will continue to act as a backup system to the Defense Department in the event of national emergencies.

So I think once you put all those things together, you will clearly see that we have a lot to offer. I think that once veterans see that, they will choose VA, and we will be able to compete in this new environment that will come with national health care reform.

Senator AKAKA. Mr. Chairman, I see my time is up. I have many more questions that I would like to submit. I may stay to ask more questions.

Chairman ROCKEFELLER. That's fine. Do you want to continue?

Senator AKAKA. Thank you very much, Mr. Chairman. I would want to.

Mr. Secretary, I assume that you believe that care offered at VA under health care reform will be superior or at least equal to that offered by other plans, and that VA will be able to offer care that is especially appropriate for veterans. If this is so, my question is, would it be safe to assume that you support a nationwide system under which every veteran has the opportunity to choose the VA plan if possible? This is just a roundabout way of asking a very parochial question; that is, does VA continue to support completion of the long-awaited Hawaii Hospital [laughter], insofar as without the hospital Hawaii's 120,000 veterans would be denied the same opportunity to choose VA care that would be available to virtually all other veterans in our country?

Mr. BROWN. Let me take a long way around to respond to that. First of all, I think for the first time in history—getting back to this distortion of our image—for the first time in history, all health care providers will be evaluated using the same criteria. We will be evaluated on the same merits and in the same categories as any other provider in our category. I think that is going to be good Under that kind of scenario, we are going to do well.

With respect to exactly how we are going to make these services available to veterans, that is going to come in the implementation stage. At this point in time, we're looking at trying to bring some form and substance to the broad outline of the proposal the President has placed on the table. We are working very, very hard on the details.

With respect to the hospital in Hawaii, obviously that has been around a long time, and we continue to look at it both with and without consideration of national health care reform. That has been on the table for a number of years, and we obviously continue to look at that in terms of bringing it toward resolution.

Senator AKAKA. Mr. Secretary, as you know, I have authored legislation to make improvements in the Vet Center program. One of the goals of my bill is to encourage VA to explore the possibility of offering limited outpatient services in Vet Centers, which is consistent with a general move toward outpatient medicine. While I am not advocating that every Vet Center offer such services, would you agree that in certain circumstances, such an initiative could be an important selling point with veterans in determining their choice of health plan?

Mr. BROWN. I like your concept, but I am not so sure I agree with your location and the way you want to do that. We have over 200 Vet Centers throughout our Nation, and they provide a tremendous benefit for the 500,000 veterans, primarily Vietnam, who are suffering from post-traumatic stress. As you know, we have added some additional eligibility—Persian Gulf veterans and veterans who have served in other conflicts subsequent to the Korean War—and there is also legislation pending that will allow veterans who served during World War II and the Korean War to receive care there.

These are very specialized and focused entities. I am not so sure that it is in the best interest of our veterans who need holistic medicine to place outpatient clinics in these Vet Centers.

As we move toward the implementation stage, once we have decided exactly what it is we will provide, then we have to look at where it would be best to place these outpatient clinics in relation to our tertiary hospitals. I do not want to make a statement that will lock us in. We have to be very, very flexible. As you know, our population shifts. We have to be able to look at the demographics, we have to be able to look at the need, before we make our decision. Our Vet Centers do not necessarily fit those criteria. I do think they do very well at providing counselling to those who have suffered psychological impairment as a result of armed conflict.

Senator AKAKA. There have been questions about the structure of the health centers. According to the administration plan, Mr. Secretary, VA may organize its health centers into health plans or allow them to function as health providers contracting with health plans or other providers. Do you envision that this is an all-or-nothing scenario? That is, must all health centers either be health plans themselves, or must all health centers be contractors to other health plans, or may there be a mix, some health centers being health plans and some other being contract providers to other health plans? Also, will there be any health centers that remain as they are, that is, subject to appropriations to provide the same services that they now provide?

Mr. BROWN. I see VA making various kinds of decisions. I get a little worried when we talk about contracting out. Obviously, we are going to be doing a lot of contracting out in order to provide the services. Under the President's plan, which I happen to think is the best thing since sliced bread, once we join the alliance as a provider, we have to be able to provide the services and benefits that are in the national package. That's a very crucial point.

Obviously, we may not currently have all of those services. So, in order to join that alliance and provide those services, since we are going to get paid for veterans' care, I want the authority to be able to contract out to the private sector or to some other health care provider.

What I get a little concerned about is when we are cast in a way in which we are strictly relying on contracts, that is a two-way street. Where I want the ability to contract out my veterans to the best institutions around the country to make sure they remain healthy, I do not want that to flow in reverse. I am very, very concerned about the hospital down the street sending nonveterans to the VA to be treated in our VA facilities. That concerns me. That is not to say that I am locked out with contracting, because contracting is a key part of bringing down the cost of health care in America. But my contracting philosophy, at least at this point in time, is pretty restricted. I want to be able to use MRI's, I want to be able to use CAT scans, I want to be able to share personnel with unique skills, maybe heart transplantation, that type of thing. So we are going to be looking at and evaluating each plan based upon its own individual merit.

Another example: Some states will probably go to single-payer providers. If that is the case and we have a hospital in that state, then we are probably going to have to adjust to the rules there. So those are the kinds of things we are going to have to decide based upon the individual circumstances at that facility.

Senator AKAKA. Mr. Chairman, I have a number of questions here. If I may be permitted to do about three more, if that is all right, or I will wait until you are through.

Chairman ROCKEFELLER. Okay.

Senator AKAKA. Mr. Chairman, I would like to ask a question having to do with affiliations of the universities. VA and the academic community have mutually profited from a strong, enduring relationship. Do you expect the VA's university affiliations will be at the same level under health care reform? Will VA maintain its reputation as a peerless teaching environment under health care reform?

Mr. BROWN. I do not expect it to maintain its same level, I expect it to be stronger. I expect the relationship to get even stronger and closer. Let's just take an example. Since we are going to be managing the care of our veterans' dependents, it seems to me that probably in a lot of locations that care will be provided by the school we are affiliated with. We are going to have to move to an era where we are actually doing much more sharing of equipment and sharing of human resources and so forth. I think all these things are going to help us bring some sense to a clearly flawed system. It is going to strengthen the relationship VA has with its affiliates.

Senator AKAKA. We mentioned about expanding services for veterans. It has been said that health care reform will expand services

available to veterans. Could you give me examples of the types of care that veterans would receive under reform that are not presently available to them now.

Mr. BROWN. Oh, that's great. One of the things I am so excited about in this whole plan is that for the first time in history, VA can practice real medicine. I have been involved as a national service officer for the last 27 years, and it always bothered me that a veteran who may be service-connected at 40 percent for the loss of an eye, and he goes to the VA to get treated for that, and while there they notice he may be suffering from hypertension or diabetes. VA could not treat it because he or she was not sick enough to be admitted to the hospital. That is not the kind of care we want to provide. If a veteran comes into our facility, we want to be able to provide total, comprehensive care. That's what we're going to be able to do under this proposal. I am extremely excited about that opportunity.

Senator AKAKA. Since I said I would do three more questions, this is the third of those. Several years ago, Mr. Secretary, Congress overwhelmingly rejected the Bush administration's rural health care initiative under which VA was to have tested the feasibility of offering care at selected VA facilities to nonveterans. Given the vastly different environment that will be established under the Clinton health care reform plan, do you anticipate requesting authority to treat nonveterans under certain circumstances, such as in underutilized VA facilities in rural areas?

Mr. BROWN. No. My approach to this is simple. One of the things that I think really irritated the veterans community under the previous administration was, one, they were not consulted. But number two was the whole idea of opening up the system to nonveterans at a time when veterans were locked out. As I mentioned to you in my opening statement or maybe in comments after my statement, we treat about 2.5 million veterans. That basically means that about 25 million veterans out there do not get care. They are locked out of the system primarily because we did not have the dollars to treat them. We used to have Category A, B, and C, and maybe even D. We used to treat just about everybody. But the tighter the dollars became, the less care we could provide. That brings us up to date, and that is why we are only treating service-connected and less well off nonservice-connected veterans.

I will not do anything until we have opened our system up for all veterans. I want to make sure that all veterans will have access to the system before we begin to discuss whether or not we should allow nonveterans in. And if we do decide we are going to look at nonveterans, in my judgment—I have just a small window of opportunity here. I'm not going to be around forever, obviously, but I hope I don't go the way Mr. Derwinski went. As we move forward in this process, we need to, number one, open the system for access by all veterans. Then, if there is excess capacity, as you framed it, we can then look at nonveterans in the veteran's family, for example, dependents of veterans. We could actually look at expanding our services to treat active duty personnel. We can look at treating veterans and their families who are entitled to CHAMPUS on a broad basis.

So there are many, many opportunities out there we can take advantage of before we start talking about opening the system to nonveterans, per se.

Senator AKAKA. I want to thank you, Mr. Secretary, very much for your responses. I have a number of questions to submit for the record. I want to tell you that I am favorably impressed with your responses and look forward to working with you. And Mr. Chairman, I want to thank you for being so generous with your time. Thank you.

Chairman ROCKEFELLER. Senator Akaka, you deserve and earn by your attendance and by your commitment to this Committee all the time that you want anytime. And your questions will be included in the record.

[Responses to questions submitted by Senator Akaka appear on page 40.]

Chairman ROCKEFELLER. Mr. Secretary, I am awfully glad to see you.

Mr. BROWN. My pleasure, sir.

Chairman ROCKEFELLER. I am glad to have a chance to chat with you. I was very impressed by the lineup that you have with you. It includes a West Virginian, for example, which is kind of a leg up, Dr. Farrar.

Mr. BROWN. Good-looking too, isn't he? [Laughter.]

Chairman ROCKEFELLER. Jesse Brown, I think you know how strongly I support you and what you're doing. You come in in one of the most difficult times ever. Health care is not only an incredible opportunity, it is an incredible briar patch. So you are coming at it forthright and I like that a lot.

Vic, you know of my very, very high regard for you professionally and personally. And Mary Lou Keener, we ought to have more women, and so I am particularly glad that you are there. Women or men, I am glad you're there; I am just a little bit gladder. [Laughter.]

Mr. Secretary, we got a letter in our Committee from a veteran from the State of Washington. He wrote, "At the VA, the patient is considered the least important person." Obviously to you and to me, that is a profoundly disturbing type of statement. But it gets at some of the points I want to get at.

You were talking about every VA center ought to be, in a sense, like a Johns Hopkins—top quality. Part of that has to do with the way people feel when they walk into a waiting room. We have discussed this before. In fact, I have always said that the two most important people that work in my office are the two people who answer the telephone. I believe that because with the tone they use, at the end of a long day when they might have three or four people on hold, just the way they say, "Senator Rockefeller's office. Can I help you?" conveys a message to the caller. Just the intonation—do they mean it? Do they half mean it? Do they not mean it? How tired are they? That means more than their responses to the questions they are asked. I really believe that. And so the whole ambience of the waiting room and the general way that a patient at a VA hospital is treated, not on the medical side but on the personal side, is enormously important to both you, as Secretary, and to me, with my responsibility on the Committee.

I would like to ask you two questions. One is, what kinds of things are you either doing or contemplating doing about that particular problem of attitude, and particularly attitude in the waiting room, to make the patient feel like he or she is the only person, so to speak, that counts? And secondly, there are some who are proposing legislation that would make it easier for you to fire employees who are disinclined to change their attitude on a personal basis towards veterans, the patients. I would like to have your comments on both of those, if I might.

Mr. BROWN. Yes, sir. I don't think I've ever mentioned this to you, but my "putting veterans first" campaign was a direct result of the conversation we had. I was very impressed with that. In fact, the example you gave was the same one you shared with me. As a result, we went back and got our people together and decided we wanted to do something about it.

It is very, very important, if we are going to be competitive in a very difficult market. It is going to get worse in terms of complexity We have to know how to treat veterans when they walk in. We need to get into the habit of, "Good morning, Mr. Jones. How are you?" When a veteran or his family asks to see Dr. Farrar, we don't want our employees to just say, "We don't know where he is." You find out where he is and then you make sure that individual gets to where he or she wants to be. That's the kind of thing that is going to make us great because I agree with you, it is those kinds of lasting impressions that will hurt you immensely. I think we're making headway; I really do.

In dealing with your second question of whether or not I would support legislation to fire them, yes, I would. One of the biggest problems I have had in working for Government—this is the first time that I have had an opportunity to work for the Government and it is almost like pushing an elephant with your finger—is the frustration that you have when people don't work out. This is not necessarily bad because there are a lot of people who simply can't change, that is part of their overall character. I think that if we once were to relocate them by putting them into different places to give them a chance to continue to make a contribution, and that does not work, then we should be able to allow them to move on and try some other endeavor.

Chairman ROCKEFELLER. I think this will interest both of us, and of course you are aware of this. I refer to a September 30 Inspector General report of four major facilities: Dallas, Indianapolis, Muskogee, and San Antonio. In the survey, 44 percent of the patients waited more than 30 minutes, which doesn't strike me as bad. I think 30 minutes is acceptable if you've been greeted properly. I think that is not out of line with the competition, so to speak. But the average waiting time for those patients was 75 to 85 minutes. Some waited for 2 hours or more. At one center, patients waited while physicians returned almost 1 hour late from lunch. That is not a question, that simply shows the kind of commitment that you and I together have to bring to working out this problem.

It is human nature. It is easy for the two of us to walk in to somebody who has been working at a place for 27 years or 17 years or 7 years, and maybe working at the same job, and suddenly we say to them you have to change the way you are. That's hard. People do

get tired. That's one of the reasons I think that I'm so glad that family medical leave is finally law. People often have a lot on their minds; they are worrying about a sick parent or a sick child at home, and they can't concentrate, and the patient really isn't first to them because of the sick child at home or the sick parent. But I am pleased by what you say, and I really look forward to working on this with you. I can't tell you how important it is. Maybe it is because of where I come from in West Virginia that courtesy is assumed, and, therefore, if it isn't forthcoming, the very opposite is assumed even though it might not be intended.

Mr. BROWN. I would like to say, Senator Rockefeller, that to us it is probably much more crucial than that. Quite frankly, I don't think we will be able to survive if we do not know how to treat our people, if we're not able to reduce those waiting lines to get to see a physician, if we are not able to reduce the waiting lines in order to get different types of treatment modalities and prescription drugs and so forth. If a veteran will have choice, and under this program he will have choice—let's just take Baltimore—that veteran will have the choice of going to Johns Hopkins or going to our flagship hospital there in Baltimore. So we are going to have to be able to do things as well as Johns Hopkins or better in order to attract that veteran into our system. I think we recognize that, and with your continued support and guidance, I think we'll get there.

Chairman ROCKEFELLER. And not to beat this into the ground, but it always fascinates me, as a matter of human nature, that if people have been treated courteously on the telephone, they put their quarter in, so to speak, and they make a phone call from somewhere in southern West Virginia, which to them is a long, long, long way away—if they get treated nicely, they will talk about it for a couple of weeks. And it works the same the other way; it works both ways. So it is really small, but it is also very important, and it is something I think we can do.

This question relates to how the VA is adjusting to States that are not waiting on the Federal Government for health care reform, and there are a lot of them. One of them is, in fact, the State of Washington, and they have proceeded forward, and we've talked with Dr. Farrar about this question.

So as the State of Washington, for example, moves forward to reform itself and health care—here is the VA, waiting for what the Federal Government and the Congress are going to do, and, therefore, caught both with the State and the Federal Government. Meanwhile, it cannot afford to be static, so to speak. How do you do your planning and how do you do your adjusting, let's say in the State of Washington, with State action on the one hand and pending Federal action on the other?

Mr. BROWN. One of the things we are doing is looking at legislation that will allow us to get ahead of the curve on a pilot basis in those States that we have targeted as being able to come on line early, let's say for instance, January 1995. The State of Washington is one of them, Hawaii is one of them, I think Vermont is one. So we are trying to get legislative relief that will allow us to relax our archaic eligibility rules, that will allow us to advertise, that will allow us to do

everything it takes to compete in a new environment. We have some very smart people looking at all the options that will allow us to come on line with any of those States in a timely fashion if we are able to get ahead of the national health care initiative.

Chairman ROCKEFELLER. So, what you are saying is you're not just sitting around waiting for national health care reform to pass. You are saying we have got to market ourselves right now because the State of Washington is creating a different climate and we've got to adjust to that.

Mr. BROWN. Yes, sir. We're looking at it two ways. Number one, we want to be able to come on line when any State comes on line. We are going to be part of the alliance in that particular State. In addition to that, we are looking at this as an opportunity to gain a lot of information. Let us say, for instance, the State of Washington comes on in January 1995 and the rest of them in, say, about 1997, 1998. We can use the information from the State of Washington during that period to help us figure out exactly how we are going to be able to address the health care needs of veterans in the other States as they come on line.

Chairman ROCKEFELLER. Good. Let's talk about VA resources. A major complaint obviously, and one that you and I and all the veterans service organizations have talked about, is about veterans having much easier access to inpatient care than to outpatient care. In the old days, inpatient care was the more serious care, so to speak, and so the bias made some sense. But in response to Senator Daschle's question, you just made the statement that there were 24 million incidents of health care during the course of a year and that 23 million of those were on an outpatient basis. That is about as opposite as you can get from the old days.

That says a lot about resources and about what the VA has to do to be able to respond to that. You currently allocate resources for the coming year based primarily on inpatient care during the previous year. In preparing for health care reform, I would guess that is going to have to change. So what can you do to address the current bias towards inpatient care and the current fact of life, which is overwhelmingly outpatient care, in the figure that you gave?

Mr. BROWN. Under our present eligibility rules, there is not really very much we can do. It is really crazy. Under our present rules, in order to gain access to outpatient care, you have to be hospitalized first, particularly with respect to our nonservice-connected veterans and veterans with nonservice-connected disabilities rated lower than 50 percent. That has to change. That really has to change.

We have been doing very, very well, as the figures will show, but that is not good enough. There were many, many hospitals in this country, particularly our rural hospitals, that went by the wayside in the mid to late-1980's, simply because they were not able to convert from an inpatient treatment modality to an outpatient treatment modality. That is clearly where your efficiencies are, that is clearly where your cost savings are.

What we want to do, and I think the President's initiative here allows, if a veteran comes into our facility and we happen to notice through laboratory testing that he has a nonservice-connected diabetic

condition, we do not have to hospitalize him in order to manage it. As eligibility rules currently stand, we have to wait until he comes back in with a leg suffering from gangrene or a case of diabetic retinopathy or a kidney disorder so we can actually admit him to the hospital. Under health care reform, we can begin to manage that disability immediately on an outpatient basis. We can control it through diet, we can control it through drug therapy. That's the kind of thing we want to do and we believe, quite frankly, will be very, very cost effective.

So, there is not really much we can do under our present system. That is one of the reasons I am so excited about the President's plan. It will give us for the first time a chance to practice real medicine.

Chairman ROCKEFELLER. You know, there is another point about competition that I think needs to be made. Over the years, let's just take the last 8 or 9 years since I was Governor of West Virginia, there have been in West Virginia at least a half dozen hospitals that have closed. I'm talking about non-VA hospitals, and there are at least a half dozen others that are very close to it or are hanging on by a thread. I was reading what I consider to be an authoritative source the other day that discussed what is already happening within the health care system, partly on the basis of the prospective power of the Government doing health care reform—which, incidentally, reduced the rate of inflation in health care by 50 percent in the first quarter of this year. That is the answer to those people who say this can't be done. It can be done and they are doing it. But one of the things that this very respected source said was that as many as a thousand non-VA hospitals are likely to close or have a chance of closing because of the general condition of markets, beds, the cost of administration in general.

That leads me to say two things. One, that provides an enormous opportunity for VA hospitals because part of the competition may not be around. The commercial hospitals don't have any Government appropriations; VA hospitals do. We know VA hospitals are going to be there and we know they are going to get better. It also makes me mindful of what happens sometimes when small business people or hospital people talk critically about the President's health care plan, which you and I both support, and they say, well if this thing passes, we will go out of business. I have heard that from small business people.

Eight out of ten small businesses that start up in this country don't survive more than 1 or 2 years anyway. And now, hospitals are finding their economics more and more difficult, so you are going to see mergers. We will encourage mergers by rolling back antitrust laws to try to protect hospitals. We will do all we can to protect hospitals. But I can foresee lots of folks on the small business side saying, we went out of business because of the health care bill. They probably would have gone out of business anyway. And I can see hospitals bringing that specter up to members of this Committee and the Finance Committee and other Members of Congress, saying if you do this we will be forced to close. They would have closed anyway. So, this isn't a question; it is just an observation I wanted to make, based upon a thought you triggered in my mind.

Let's talk about eligibility reform for a second. Currently, some veterans are eligible for free inpatient services but not for free outpatient services. Let me mention that when I say "free care," I am referring to the fact that there are no premiums or copayments. Of course, veterans are paying for it in a different way—they've earned it. They have earned it by their service to their country, by risking their lives for their country.

What exactly, to the extent that you can tell me, is the VA proposal for revising eligibility for free care as part of health care reform? Will veterans who are currently eligible for free inpatient care be eligible for all services in the basic benefit package without any premiums, copayments, or deductibles?

Mr. BROWN. One of the great things about the President's initiative—and I keep saying that because I really am excited about it—is that any veteran enrolled in our program, number one, will be entitled to the full comprehensive package that is available to all Americans. That's the first thing. That includes physician care, it includes outpatient care based on need, it includes emergency care, it includes ambulance service, it includes prescription drugs. It includes everything in a package based on a model of the Fortune 500 companies in this country that made those benefits available to their employees. So this is a top-end package. That package will be available to all veterans.

In addition to that, certain veterans who already have eligibility will be entitled to additional or supplemental or enhancement to that particular package. That makes it very attractive.

In combination, the question of eligibility no longer exists because it is an inherent part of the President's plan. So we don't talk about service-connected this or service-connected that. Once enrolled in that plan, he or she gets everything.

Now, the core group of service-connected veterans and low-income nonservice-connected veterans, get their care without any copayments, without any premiums, without any deductibles, and they remain entitled to any benefits over and above the comprehensive package. So I think that's a powerful inducement and a powerful incentive.

Chairman ROCKEFELLER. That then raises the question of funding. Is there, in your judgment, sufficient funding in the current appropriations level to extend free outpatient service to veterans who are now eligible for free inpatient care? Or, will the group have to be more limited in terms of disability level or income level because of the continuing fact that VA health care is an appropriated item?

Mr. BROWN. I would think that would be inconsistent with the spirit of the President's plan. The President has said that all Americans will receive this comprehensive package. It just so happens that veterans will be a special group that will have choice; they can either go to the private sector or they can go to the VA to receive their care.

Part of the comprehensive package would be outpatient care. So it would be inconsistent with that spirit to have a formula and take away outpatient care for certain categories of veterans. I think if you did that, number one, I think it would be bad. But number two, it would automatically drive veterans away to the private sector where they

can get all of this other care or the whole package that everybody will be entitled to.

At the same time, I think we need to keep in focus here with respect to funding. I cannot tell you whether or not the current appropriation level is enough. That is going to be based on experience. But I am excited about this. Based upon the President's plan, we will remain entitled to funding through the appropriation process. That funding is going to pay in part for our service-connected veterans, it will pay in part for our nonservice-connected Category A veterans, it will continue to finance our SCI [spinal cord injury] units, it will continue to finance our research, which is a wonderful program; it will continue to finance our Vet Centers. All of those kinds of things and those kinds of services will be paid through the appropriation process.

At the same time, we are looking under the President's plan for funds coming through the alliance. As everyone mentioned, everybody employed throughout the United States will have to pay or their employer will have to pay into this alliance. For any employed veteran who happens to enroll in a VA plan, we would get that money from that plan. Secondly, VA is again in kind of a unique situation in that we will be able to retain the funds that we get from third-party insurance, we will be able to retain the funding we get from Medicare, we will be able to retain the funding that we get from CHAMPUS if CHAMPUS is a defined plan.

So, I think with that kind of funding mechanism, it looks very, very bright. Plus there is one additional source: A pool of money available for providers to use to improve their infrastructure, to make capital investments, and so forth. VA, too, will be able to borrow money from that fund. So, it looks good on paper, but the final test will be based on experience. Then, of course, we will adjust based upon the results of our experience gained in the out years.

Chairman ROCKEFELLER. Mr. Secretary, I hear your answer. But it wasn't specifically responsive to what I asked about, which is the current appropriation. In other words, the veteran has got to make the choice. There are no outside funding streams coming from anywhere unless the veteran brings that with him or with her under health care reform. The current appropriation or this coming year's appropriation, in this Senator's judgement, would be wholly insufficient to provide the kind of outpatient care that you and I contemplate.

Mr. BROWN. Are you talking about 1995?

Chairman ROCKEFELLER. I can talk about 1994–1995.

Mr. BROWN. About 1994–1995. I agree. Are you going to help us out?

Chairman ROCKEFELLER. So, what you are reinforcing then is that there is no way in the world that we can do this without, number one, health care reform; but secondly, after health care reform, without being sufficiently attractive and competitive to bring in those other sources.

Mr. BROWN. Absolutely. Our best bet at this point in time is national health care reform. This, in my judgment, is an opportunity for people living in the 20th century to pass on a legacy to those in the 21st, 22nd, and 23rd centuries. So, I hope that history reflects kindly on us because we did the right thing and took advantage of this opportunity.

Chairman ROCKEFELLER. My further point on this is that with you and I both being in support of the President's program, our instinct is—well, there are two kinds of instincts. One is people who either aren't sure what's in the program and are asked about it, or two, people who for their own personal reasons want to attack the President's plan or attack the President or say you can't trust the numbers or you can't trust Washington. You know the way that works. What they do is they will pick out one particular aspect—for example, right now physicians, who I think stand to gain enormously from health care reform in terms of peace of mind and a more predictable life, no more uncompensated care. Physicians are so focused on malpractice reform limiting lawyer's fees to only one-third of the award that they virtually can't talk about anything else in health care reform. So when they talk about health care reform, they attack malpractice tort reform in the Clinton plan which then gives the impression to the listener, whether it be a Rotary Club or a broader audience, that they are dissatisfied.

I think on our side we have to be careful that when we're talking about what we think are all the really splendid opportunities for veterans' health care under this plan, that we recognize that we're talking about outpatient care rising to the level and the accessibility of inpatient care. We have got to get the plan. We have got to get the plan. There is no way unless we get health care reform passed.

Mr. BROWN. Just a brief observation I would like to make. One of the biggest threats to this plan, which I think is just wonderful, is demagoguery. For whatever reason, people want to attack this plan without looking at the facts, and they will do anything to do so. I recall watching you on TV and you were with a lady and she tried to make the point that mammograms would not be covered during a year. You kept trying to tell her that mammograms would be part of a treatment plan and that they are covered at any time as medically indicated. But she didn't want to hear that for whatever reason, and I thought that was a disservice to the people. It frightens folks when there is no reason. All you were basically saying, and I think hopefully everyone understood it, is that if your doctor decides that you need a mammogram three or four or five times a week, you can get it under the Clinton plan. You don't have to wait for once every 5 years or whatever the point she was trying to make.

Chairman ROCKEFELLER. That is correct. It just depends upon if your doctor says that he or she thinks that you need that mammogram, then you can get it just exactly as you indicate. What is ironic about that is that those regulations in fact have already been issued by the very agency which that same lady headed and they were issued during the time that she headed that agency, which happened to be NIH [the National Institutes of Health].

Let's go to choice of providers for a second. Will all veterans be eligible to join a VA health plan even if their employer offers a corporate health plan?

Mr. BROWN. Yes, sir.

Chairman ROCKEFELLER. In some parts of the country, there are veterans who live far away from any VA medical centers. We expect that under health care reform, many VA facilities will contract out to

other outpatient providers, in order to better meet the needs of veterans living in these very distant and rural areas. However, if a service-connected veteran believes that the VA plan providers are too inconvenient for general health care and therefore chooses a non-VA plan instead, would that veteran still be eligible for free services at a VA facility for treatment of his or her service-connected disability?

Mr. BROWN. Yes, sir.

Chairman ROCKEFELLER. Let's say a veteran with a service-connected spinal cord injury chooses a non-VA plan because the VA plan does not have providers near where he or she lives. But sometime during the year the veteran needs help for his or her spinal cord injury and wants to travel to the nearest VA hospital. Would he be able to receive free care there?

Mr. BROWN. Yes, sir.

Chairman ROCKEFELLER. We're doing well, Mr. Secretary. [Laughter.]

If a veteran who wants to choose a VA health plan has a family, and we've touched on this, will he or she have the option to choose a VA plan for himself or herself and a non-VA plan for the rest of the family? If so, would that make VA health plans less desirable than non-VA plans to "paying customers", that is, veterans whose income level would require them to contribute to the cost of care at the VA?

Mr. BROWN. I think I understand the question. We plan to overcome that limitation by offering dependents an opportunity to have VA manage their care. We would do that by providing care to the veteran directly and then we would contract out to another provider in the alliance for his or her dependents.

Chairman ROCKEFELLER. I share your concerns, Mr. Secretary, when you said earlier today that you don't want to get into the dependent business particularly at the beginning, until we see where we are. On the other hand, families have sometimes different ways of getting their health care provided for, but often they do it as a group. And so, with 27 million veterans out there and so many who have not been eligible for VA care up until this point, it will be interesting to observe what happens to veterans with dependents. If a veteran who would be eligible and would choose to go to a VA hospital had dependents that were not be able to do so, would that affect their decision to choose VA as opposed to a non-VA hospital? That would be a very interesting question and probably worth some polling and questioning as we go along.

Mr. BROWN. Yes, sir.

Chairman ROCKEFELLER. Because we want to be sure that in reaching out to make sure that all veterans have a chance to use the VA system, we're not setting up a situation wherein they decline to enroll in a VA plan against their own preferred judgment. That will be part of the briar patch that I'm talking about. But I think your approach is right; approach this thing very slowly, and make sure all veterans have access before we deal with dependents.

Mr. BROWN. I might add that in the President's proposal, he has granted the Secretary the discretion of treating dependents.

Chairman ROCKEFELLER. I very well understand that.

Let's talk about women's health for a second. There has been a general acknowledgement, I think, on the part of all of us that there just isn't enough health care for women available at VA medical centers. Obviously, there are more women in the service now and more women are getting out of the service and becoming veterans. So, there is prenatal care, other types of health care, that are going to need to be offered if we are going to be attractive to those veterans.

We are working on legislation that would require greater access to care for women veterans. I am hopeful that we can pass that law soon. But regardless of what happens, tell me a little bit about what we're doing in our VA system now to prepare for health care that is specific to women. And also tell me what it is we're doing in the VA to prepare for more preventive services, which is the engine that drives the entire Clinton health care plan.

Mr. BROWN. As you rightly pointed out, in the President's overall plan, preventive care is a key element. In order for us to join any of the alliances, we are going to have to be able to provide the full spectrum of care that is contained in the basic comprehensive package. Since preventive care is there, we are going to have to be able to do that.

I think VA is really in a unique position to be able to be flexible, in the sense that if we cannot provide the services in-house, for lack of a better term, we can always contract those services out to another health care provider in our alliance or whatever. We can do that.

We can do the same thing for women. You rightly pointed out, I have been very disappointed with how we have been responding to the needs of women. Women historically have constituted approximately 4 percent of our veterans population. This is clearly a male-dominated institution, but that is no excuse. All we have to do is look to the military, and we see that women there constitute approximately 12 to 14 percent and they will ultimately become veterans, so we need to be about the business now of preparing for them to come into our institutions so that we will be able to provide good, strong, comprehensive, quality care consistent with their unique privacy needs and unique treatment needs.

We have set up a number of various committees to deal with that, to allow us to become sensitive to the problems of women and to be able to find a way to deal with them in a rational way. I am going to ask Dr. Farrar to give us a little bit better explanation on exactly how we are dealing with the question of providing quality care to our women veterans population.

Dr. FARRAR. Thank you very much. Mr. Chairman, we have been working very actively to improve the quality of care. For a number of years we have had a Women Veterans Committee. We now have a women's coordinator in every hospital who is working toward improving care. A number of our hospitals have special women's clinics which are state-of-the-art clinics just for women.

Chairman ROCKEFELLER. Let me make one observation, Mr. Secretary, and then, it being noon, we will wrap up. It is not entirely clear how it reflects within the VA system, but it is entirely clear in the President's plan that there is going to be something called a capitated system of payment. What I mean by that is that when the

national health board prepares the national budget and then, based upon the 50 States' demographic and other variations, prepares the State budget, in a sense, there will then be an amount of money that can be paid for health care for each individual in that State.

Now, let's say that in my case, my figure is $2,000 a year for next year. If I only spend $1,000, if only $1,000 of health care is required for me during the coming year, that is a real good incentive for the provider because the provider gets to keep the extra $1,000 difference between my $1,000 and the $2,000 which was allowable. On the other hand, if I get $4,000 worth of care, that is also a very interesting incentive because the providers, the doctors and the hospitals, have to eat that. That comes out of them.

Now, some people would say this brings the risk of having people underserved deliberately. They are entirely wrong on that, because not only is there a quality standard that every accountable health plan is going to have to match in order to be certified to be an accountable health care plan, but every alliance will have in its administrative structure people who are interested solely in quality. The person who is looking to negotiate the best price with an accountable health plan and the person who is looking to make sure that the quality is there are not one and the same person. In fact, those are two folks who will be doing a lot of fighting and fighting on behalf of a balance which works to the advantage of the consumer, which is the only person that the alliance cares about, not shareholders or anything else, just the consumers of that health care.

So, the quality will have to be there. Therefore, those who say that cost pressures and cost reduction pressures automatically force one to reduce quality are entirely wrong, because the accountable health plan can be ruled insufficient by the national health board, it can probably be ruled insufficient by the State, and within the free market system, much more importantly, the individual can decide that's a lousy health plan, I'm choosing a different one. And they can do that each and every year if they so desire.

It is going to be interesting to see, for example, if the concept of a capitated rate washes over into the VA system. That is not clear to me at this point. It is clear to me that it washes over into the entire rest of the system and I think it is a very, very powerful free market incentive for preventive care, because it means that my physician is going to be coming after me for a prostate exam, or for mammograms, pap smears, blood pressure, cholesterol, all the rest of it. It puts the physician and the hospital, but particularly the physician, in the pursuit of classic preventive medicine, pursuing the patient to make sure that they stay healthy so that they don't have to treat an illness. This is powerful, powerful incentive which I read very little about and hear very little about in our Nation's media.

How that affects or does not affect the VA system is something which I think is not clear to us yet. But it will be interesting to observe. There may be comments that any of you have on that.

Mr. BROWN. I think—and I am going to ask Mark Catlett and Dr. Farrar to make an observation—but I think you are right. We don't know what impact that is going to have on us. We're probably in a pretty good position to deal with it. Capitation is a little bit different

from operating off a global budget, but the concepts are the same. We have been doing that for many, many years. So, I think that's one of the areas where we have an advantage.

At the same time, I am glad there are methods within the structure that are flexible, because one of the things that makes an institution profitable is a good mix, a good mix of sick people and healthy people, and the difference is an institution's profit margin. In VA, our population, because of our unique situation, tends to be older. They tend to have long-range needs that are much more costly than the private sector. For instance, one of the things we don't ever get any credit for in terms of being able to provide a strong service to our Nation is long-term care. No one would want to be bothered with the veterans we treat in our nursing homes because there is no profit in it. No one would want to be bothered, quite frankly, with the Vietnam veterans and our other veterans who suffer from psychological problems because there is no profit in it. These are long-term commitments you have to make to be able to turn these things around. But we do that. There is no profit in an individual who is a quadriplegic and has been since he was twenty-some years old. He hasn't had an opportunity to make a lot of money to be able to pay $4,000 or $5,000 a month for specialized care. There is no profit in that for the private sector. But we have been doing all of that.

I say that only in the sense that we have to keep this in the front of our minds as we move toward developing various types of funding stream formulas to allow us to achieve our mission.

I am going to ask Mark to make some observations.

Mr. CATLETT. Mr. Chairman, in my view, I believe we will be facing the same pressures of dealing with that capitated rate, pursuing the patient, as you've indicated, in order to control our costs. And that is, in my view, for the basic package. As the Secretary has indicated several times, we have got a lot of details to work through and we will be looking to an appropriation for those supplemental packages or for the copayer premium offset for the Category A veteran we currently serve. But for that basic package, what we're going to provide, I think we will be dealing with those same pressures. And we will have to improve, as I think the whole industry has to, in the way we provide care and to make sure that we get to that preventive care not to control costs, but to improve quality for the individual veterans.

Dr. FARRAR. Mr. Chairman, I would like to speak to the question of quality. I think that we are in a very good position to provide high quality care. You have heard Secretary Brown tell you about JCAHO [Joint Commission on Hospital Organization]. I think more importantly are the measures that are being taken by Dr. Galen Barbour, who is the associate CMD [Chief Medical Director] for Quality Management, toward measuring our total quality and keeping it high. Also, in particular, we do have an external peer review plan which is run by a very fine West Virginia company, and the record with external peer review over the last year and a half is really quite impressive, I think. So, we have had both internal and external quality assessment going on. As we move into health care reform, we will still have to measure and maintain high quality throughout our entire system.

Chairman ROCKEFELLER. I agree with that. I think the American Medical Association made a statement the other day that they felt—I forget how they phrased it—but they felt that quality was going to come second to—it wasn't bean counters, but it was something of that sort. It is the kind of phrase that when a responsible organization tosses it out, it hurts. They said that in a mailing to all their member physicians and all residents training to be physicians. There were some things in that letter of information, so to speak, which they said were good about the plan, and I was glad to see that, but there was this business of raising questions about the specter of Government. It is very interesting the way people are playing on this psychologically.

Incidently, I have a very good working relationship with the American Medical Association, Secretary Brown. And I work hard at it, because I think physicians are a key to this. They are the ones who get to talk to the patients and they are the ones who are called by the press. But that's why the way they express even incidental views is incredibly important. I have reminded them from time to time that there are at least 200,000 physicians who do not belong to the American Medical Association but belong to the American Academy of Family Physicians, or other medical associations that have come out very strongly in favor of the President's plan, or in varying degrees have made very supportive statements of the President's plan. These tend to be people who are focused on preventive medicine.

So it is going to be an interesting 6 or 8 or 10 months, Mr. Secretary. I, as you know, am completely and flatly committed to health care reform in our country in general, and, most specifically, to making sure that we do this in a way that allows health care to become accessible to veterans in every single way that we possibly can do that within the limits of our financial constraints. But I think it is going to be a magnificent year. I think you have chosen a very good time to be Secretary.

Mr. BROWN. Thank you.

Chairman ROCKEFELLER. I thank you. And I thank the distinguished team that you brought with you.

This hearing is adjourned.

[Whereupon, at 12:10 p.m., the Committee was adjourned, to reconvene at the call of the Chair.]

APPENDIX

PREPARED STATEMENT OF CHAIRMAN JOHN D. ROCKEFELLER IV

President Clinton's health care reform plan is a great stride forward in providing security for all Americans, and especially our veterans. I am enormously pleased that the Administration has kept its promise to American veterans by preserving free health care for those veterans with service-connected disabilities or low incomes, *and* providing *all* veterans with choices that they really have not had before. This represents the best of all possible worlds for veterans.

Since my first days in West Virginia as a VISTA worker almost 30 years ago, I have been confronted with the harsh realities of our slowly unraveling health care system. And yet, during all my years as a Governor and a Senator, people have been saying that our present health care system is too complicated, too expensive, and too politically dangerous to change.

So, it was enormously gratifying for me, three weeks ago, to sit and listen to the President of the United States make health care the top priority for this Nation. It's now time for us to fill in some of the details and carry this plan into the home stretch.

The President's health care reform plan seems to give a great deal of autonomy to the VA. But as I see it, that doesn't mean the VA can sit back and be satisfied with the status quo. Indeed, it means quite the opposite.

In order to compete with other health plans, the VA medical system will have to improve in several basic ways.

Most important, veterans, VA, and Congress have to work together so that VA medical centers can provide greater access to outpatient treatment.

VA has to change with the times in other ways, too. For example, it must provide the kinds of services that women and elderly veterans need, since the proportion of veterans who are female or who are elderly is increasing dramatically every year. That means better access to a wider range of medical care: A new focus on prevention, better services for women, and additional resources to meet the needs of older veterans, including long-term care and hospice care.

Finally, like many government agencies, VA medical centers have to treat consumers better. VA facilities will not survive if staff have the attitude that the people who use VA medical care will put up with rude or incompetent service since they have no other options. Under health care reform, many will have other affordable options for the first time.

The purpose of today's hearing is to learn more about the Administration's plan for veterans' health care under the proposed health care reform plan, and to find out what VA plans to do to make sure that VA health plans can compete successfully with other health plans that will be available to veterans.

There's a great deal of work to be done to make sure health care reform happens and to make sure it works. This is an exciting time, and I look forward to working with Secretary Brown and his staff, and with the veterans service organizations and my colleagues in Congress, to make sure we get it right.

PREPARED STATEMENT OF SENATOR GEORGE J. MITCHELL

Secretary Brown, I join my colleagues on the Committee in welcoming you here today. I look forward to your testimony on the Administration's plan for veterans' health care under the proposed health care reform plan.

To be credible, any plan for health care reform must meet the threshold test of providing health coverage for everyone and it must assure that health care costs are controlled. The President's plan for comprehensive health care reform meets the threshold test: it will assure access to health coverage for every American and it

contains meaningful cost containment strategies to reduce the rate of increase of costs in the health care system.

The President's health care plan is the culmination of many months of work by many persons expert in the various disciplines. It builds on the work of many years by Members of Congress—including many members of this Committee and many organizations, including VA, dedicated to providing health care to every American.

The health care reform plan proposed by President Clinton last month is good news for veterans. While the details of the Clinton plan are not finalized, what we know indicates that under the plan, the VA will remain a stand-alone system to provide a comprehensive range of health-care services to veterans.

Under health care reform, VA will be able to organize its health centers and hospitals into health plans or function as providers, contracting with other plans or providers. Veterans will have the same option to join the health plans available to all other Americans. Veterans will have the additional option of joining a health plan specifically designed for veterans.

I'm especially pleased that the President's proposal envisions that service-connected disabled and low income veterans will continue to receive free medical care. And while all health plans, including VA health plans, will be required to provide a comprehensive benefits package, the VA heath plans will offer a wider range of health care services to these veterans than are included in the standard benefits package.

Health care reform presents a means of resolving the major issue that has confronted VA for the past decade. That, of course, is changing the status quo in which VA has been continually underfunded and unable to serve those veterans eligible to receive care.

Health care reform calls for Congressional appropriations to cover the actual costs of health care for service-connected and low income veterans to ensure. It also calls for VA to retain all premiums, deductibles, co-payments, and reimbursements for fee basis care that it receives from other health care plans.

At this point, clarification is needed on several issues pertaining to veterans health care under the President's proposal. I fully expect the Secretary's testimony this morning to provide illumination on a number of issues. I hope to gain a better understanding of what health care reform means to the Togus VA Medical Center and Maine's veterans.

Veterans have risked their lives to protect this country and I believe it is essential that in return this country reaffirm its commitment to provide quality health care to these men and women as the country moves to reform the overall system of health care deliver for all its citizens.

The President's proposal is an excellent starting point, particularly as it pertains to veterans. Mr. Chairman, if you have not already done so, I would ask unanimous consent to insert into the record a copy of a letter I received from Secretary Brown conveying his letter to the President that was accompanied by letters of endorsement of the plan from a number of veterans organizations.

It has been my experience that the members of this committee have traditionally worked on a bipartisan basis. We now face a legislative challenge that will take all the knowledge, experience and cooperation that Members of this Committee have developed over many years.

Our task is to work with the Administration, the veterans service organizations, and the system's many dedicated and knowledgeable health care professionals to see to it that the VA medical care system, the largest centrally-managed health care delivery system, is provided the tools it needs to compete under health care reform. That the VA's role in the nation's overall health care system is strengthened. And that the VA can continue to meet this nation's obligation to its veterans.

I want to commend Chairman Rockefeller for holding this hearing today. I look forward to working with him and other members of the Committee on both sides of the aisle to enact comprehensive veterans health care reform.

PREPARED STATEMENT OF SENATOR BEN NIGHTHORSE CAMPBELL

Sitting Bull, leader of the Hunkpapa Sioux, once said, "A warrior I have been, a hard time I have now." These words remind us of our nation's responsibility to serve the needs of our veterans. As a nation, we must fulfill our commitment to provide health care, educational, housing and retirement assistance to our veterans.

Today marks an historic turning point, as we consider reform of the Department of Veterans' Affairs health care delivery system, the largest function of the Department. Clearly, the system needs reform.

Right now, funding for the VA comes only from federal appropriators. Each year, we fight a losing battle to maintain current services within a constrained budget. As you know, the eligibility rules are complex and confusing, resulting in massive paperwork and frustration. At the same time, we see the cost of health care rising at twice the rate of inflation, with no end in sight. Adding to the challenge, the veteran population is disproportionately older, sicker and poorer. It's time to make the system work for veterans.

Looking at the draft of the VA health care reform proposal, I think that veterans will benefit under the plan. As currently written, the VA health care system will be improved by allowing the VA to form health plans, expand medical benefits, increase management flexibility, maintain specialized VA services, and add a revenue base.

There are five items in this proposal that are of special interest to me, and the 405,000 veterans of Colorado:

- First, under the President's health care reform proposal, the VA retains its independence and unique mission. The VA, like all health care providers, will be required to provide a comprehensive health care package. Every veteran in America will have the right to choose the VA system as a health care provider.
- Second, the plan ensures that veterans with service-connected disabilities and low income veterans will be entitled to the comprehensive health care package. As it should be, care for these veterans would be paid for by the federal government, with no copayments or deductibles.
- Third, higher income veterans, without service-connected disabilities, could choose the VA system. As in any other plan, these folks would be responsible for copayments and deductibles, and their employers would pay into the VA system, too. Additionally, the VA could collect from Medicare for higher income, non service-connected veterans.
- Fourth, related to this, it makes available major new resources to provide more comprehensive services. Additional funding will pour into the VA system through Medicare dollars and employer contributions. right now, the VA is not allowed to keep the dollars it collects from private insurers, and it is not even allowed to collect money from Medicare.
- Finally, and most importantly, this reform plan will ask the VA to treat veterans as customers. If the VA is to compete with other health care providers, it must adapt and conform to the market needs of its patients. I'm pleased that a $500 million contingency fund to improve facilities and services has been provided in the VA-HUD appropriations bill to help the VA hit the ground running.

This is a great opportunity and challenge for the VA, to make much needed changes. I congratulate Secretary Jesse Brown, Chairman Rockefeller and our First Lady, Hillary Rodham Clinton, for their hard work in bringing this issue to the forefront of our nation's agenda.

I look forward to hearing today's testimony. Thank you.

PREPARED STATEMENT OF SENATOR STROM THURMOND

Mr. Chairman: It is a pleasure to be here today to receive testimony concerning the Veterans Affairs health care system and its role in national health care reform proposals. I commend you, Mr. Chairman, and the distinguished ranking minority member, Senator Murkowski, for scheduling this hearing on this important issue. I extend a welcome to our distinguished witness, the Honorable Jesse Brown, Secretary of Veterans Affairs, as well as other officials from the Department of Veterans Affairs. This committee appreciates your dedication to all veterans and we value the contribution of your knowledge and expertise.

Mr. Chairman, there is general agreement that our health care system needs comprehensive reform. However, while we attempt to address the problems of our health care system, we need to preserve the successful elements of our Nation's health care structure. Furthermore, as the debate on national health care reform proceeds, proper consideration must be given to the unique needs of veterans. For many years now, the Department of Veteran Affairs has been ably providing for the needs of the veterans of this Country. It is essential that the VA health care system remain an independent system, provided with the resources to furnish quality care to our veterans.

The challenge facing this Committee is to ensure that as specific health care reform legislation is presented, that the needs of Veterans are met. A total package approach must include inpatient, outpatient, and long term care; adequate medical research; eligibility reform; and provision of facilities. Mr. Chairman, I look forward to working with you, members of the Committee, the Department of Veterans Affairs, and other members of the Administration to ensure that these challenges are met.

PREPARED STATEMENT OF THE HONORABLE JESSE BROWN, SECRETARY OF VETERANS AFFAIRS

Mr. Chairman and members of the Committee: Thank you for giving me this opportunity to discuss with you the President's plan for National Health Care Reform. We believe that the Department of Veterans Affairs health care system will be strengthened by the President's proposal.

Mr. Chairman, the President and the First Lady have indicated their wholehearted support for the VA health care system. I was a member of Mrs. Clinton's Health Reform Task Force. VA staff participated fully in all of the work groups that were formed to address issues and develop material for the President's plan. The opinions and expertise of VA staff who participated were an integral part of the process and are reflected in the final proposal. The First Lady also met with representatives of the Veterans Service Organizations.

The President's plan for national health care reform provides security for all Americans by ensuring universal, affordable health care coverage. The proposal guarantees all Americans access to comprehensive health benefits including prescription drugs, outpatient services, prosthetics, hospital and respite care, and preventive health services. No American can be denied coverage because of a pre-existing medical condition. All Americans will have the freedom to choose the provider or health plan that best suits their needs. We believe that the VA is in a position to be the clear choice for many veterans and is uniquely suited to continue to meet the needs of our Nation's veterans.

We also believe that the President's plan incorporates features that will preserve and strengthen the VA health care system. We cannot afford to let this golden opportunity slip through our fingers.

Mr. Chairman, the VA today operates the Nation's largest centrally managed health care delivery system. Its capabilities encompass the full continuum of medical care, from primary care and sophisticated tertiary services to rehabilitation and long term care. The magnitude of VA's role in the current national health care environment is reflected in the following statistics:

- we operate 171 medical centers and over 300 clinics nationwide;
- we employ over 205,000 professional, technical and support staff;
- we provide a million inpatient episodes of care and more than 23 million outpatient visits annually;
- we provide special services for veterans with expertise in spinal cord injury and PTSD treatment; and
- we educate and train over 100,000 health care professionals annually.

Today's VA, though, faces considerable constraints and pressures from many obstacles. These impediments must be surmounted in' order for VA to survive and maintain its capability to fulfill the Nation's obligation to its veterans. In the VA system today:

- we have patients who are disproportionately older, sicker, and have lower incomes than the population as a whole;
- we are entirely dependent upon Federal appropriations for funding;
- we cannot obtain reimbursement from Medicare or private insurance for all veterans care;
- we are required to follow confusing and complex rules and laws in providing patient care; and
- we are subject to the severe impact of medical supply and service costs.

The President's proposal for the VA health care system under national health reform is designed to preserve the outstanding contribution of the VA to the Nation's health care, while offering some proposed solutions to the array of problems the VA currently faces.

Under the President's proposal the VA system is embraced as a key component in national health care reform yet retains its central commitment to the nation's veterans.

Under the proposal the VA will become a viable health care choice for millions of veterans who, today, are unable to access the current VA system.

Under the President's proposal, VA will organize and manage VA Health Plans throughout the Nation. VA Health Plans would be offered as an enrollment choice to all veterans who live in the geographic areas covered by the plans. The VA Plans would guarantee all veterans who are enrolled the same comprehensive standard benefits, including comprehensive outpatient care that other plans will provide their beneficiaries. As a result, the President's proposal will simplify eligibility criteria for VA care. Veterans enrolled in a VA Plan would benefit from VA's experience and long history of treating the diseases and health problems faced by veterans. Moreover, participation in a VA plan would provide them with access to the Nation's premier consultants and clinicians already within the system and through the VA's affiliation with outstanding medical schools nationwide. The VA plans will meet Alliance requirements regarding quality and reporting.

Service-connected and low-income veterans enrolled in a VA Plan would continue to receive free care from the VA and would not be subject to any cost sharing for care they receive. Higher income nonservice-connected veterans would be required to make modest copayments for care under the same rules that apply to other health plans.

Furthermore, service-connected and low-income veterans would continue to be eligible for free care from the VA for a number of medical services which VA has traditionally provided to its patient population, such as long term care. VA would have the option of offering supplemental benefits not covered by the standard benefits to higher income, nonservice-connected veterans for an additional premium payment through the VA Health Plans.

Another important change for us is that the proposal gives the VA health system access to additional funding sources. VA facilities would be able to provide services on a reimbursable basis to veterans who are members of other health plans and to higher-income, nonservice-connected veterans with Medicare coverage. And let me take this opportunity to clarify some misconceptions about Medicare reimbursements. Medicare reimbursements would open up the VA system to those veterans who would prefer to come to VA for care but are now shut out. Please keep in mind that the Medicare funding those new veterans bring with them would be spent regardless—whether they are treated by VA or another provider. The beauty of this new opportunity is that it provides a wider array of options to veterans than they currently have and is cost neutral to the government. With respect to veterans who now use VA services, Medicare may reimburse VA for services that Medicare now does not pay for. The details of Federal payment standards for Medicare, VA, and CHAMPUS will be developed before the final plan is presented to Congress.

The VA could also receive premiums from the Health and Corporate Alliances on behalf of all individuals enrolling in the VA Plan. This major new funding source would allow the VA system to be less dependent on appropriations from the Congress and would put the VA on a more level playing field with other health plans. With access to alliance payments, VA can offer care to more veterans. In addition, the proposal specifically allows VA to retain these payments to be used for investment in further care for veterans and improvement of the VA system. The proposal also allows the VA to retain all collections and reimbursements including those from other plans and, for the care of higher-income non service-connected veterans, from Medicare. Thus, VA would be dependent on appropriations only to cover the cost of the veterans' share of standard health care benefits for service-connected and low-income veterans and for medical services to these veterans that are not covered by standard benefits.

Mr. Chairman, we recognize that VA has to make many changes and improvements in its health care delivery system to make this proposal work. To compete successfully with the other health alliances, we will have to restructure portions of our organization, will have to modify some of our financial operations, and will have to expand the scope of our medical care delivery system to provide basic primary and ambulatory care services. As you already know, we are looking closely at creating and solidifying medical center networks and at developing a managed care environment with primary care as its focus. I welcome the challenge of leading VA into the twenty-first century as a strong, independent, provider of high quality care to our Nation's veterans—to whom we are all beholden. We have many of those implementation steps in progress.

For example, we are actively pursuing more formalized referral and care delivery networks, and we are improving our managed care program and enhancing our primary care delivery system. The President's proposal also calls for the establishment of a

revolving fund from which VA may borrow to finance one-time start up costs of our health plans, including making needed improvements to the physical infrastructure of our facilities.

We believe that this proposal ensures a fiscally sound VA health care system that will permit the VA to remain a viable, independent organization committed to improving veterans' health care and treating medical problems unique to military service. The VA system will be able to continue its support of research in basic science, clinical applications and health systems, and in medical and associated health education and training. This proposal also would ensure the VA's ability to continue to serve as back-up to the Department of Defense in case of war or other national emergency.

I am confident that VA's participation in national health care reform will allow the VA system to prove that it can be a model for the successful integration of outpatient, acute and long term care. VA's experience in managing a health care system within a fixed, global budget will be an example for other plans.

Mr. Chairman, I cannot state strongly enough our willingness to work with you to address points in the plan that may not be clear and to answer questions and to develop a legislative package consistent with the President's goals that will be enacted. I believe that the President's proposal preserves the VA health system for the Nation's veterans and, for the first time in history, provides the means to allow all veterans access to their system.

WRITTEN QUESTIONS FROM CHAIRMAN ROCKEFELLER TO THE DEPARTMENT OF VETERANS AFFAIRS AND THE RESPONSES

Question 1. VA allocates resources for the coming year based primarily on inpatient care during the previous year. This obviously encourages VAMCs to provide more inpatient care, rather than improve and increase patients' access to outpatient care. In preparing for health care reform, this must change. What is the VA planning to do this year to ensure that its resource allocation process is responsive to outpatient care as well as inpatient care?

Answer. In Fiscal Year (FY) 1994 the Resource Planning and Management (RPM) system was used for the first time to allocate funds to medical facilities. RPM is a prospective capitation system that is patient based and policy driven and uses historical data and other factors to predict future workload. For FY 1994, an increase in outpatient care and a decrease in inpatient care is expected. Beyond 1994, VHA will emphasize ambulatory and primary care settings and less reliance on acute care.

Question 2. Like most teaching hospitals, many VA medical centers seem to focus on acute and tertiary care. What is the VA planning to do to increase the emphasis on prevention and primary care?

Answer. VA has for some time recognized the need for greater emphasis on prevention and primary care as the means to provide a continuum of high-quality, cost-effective care. In December 1992, the Strategic Planning and Policy Office convened the Managed Care Task Force to make recommendations for implementing managed care with a strong primary-care focus. Although specific recommendations from this group were overtaken by President Clinton's proposed plan, their work prepared the way for plans now being formulated to expand community-based primary care programs. These programs will employ different strategies to improve accessibility to care for current VA patients and enable VA to reach out to potential new users. Some may be new VA outpatient clinics in leased space, while others may involve community sharing arrangements or mobile units traveling to different locations.

Meanwhile, a number of facilities have proceeded to develop primary care programs and clinics. Models vary according to resources available but all have incorporated principles of primary care. These include a responsible, identifiable primary care provider for each patient and an interdisciplinary approach to care. Facilities often provide telephone triage and other methods to improve effectiveness.

In October, VA established a National Health Care Reform Program Office which, in turn, organized a task force to plan, develop, and implement health-care reform in concert with the President's plan. Among its many tasks will be further elaborating the products of the VA health plan, including primary and preventive care, as part of the comprehensive benefits package.

Question 3. For nonveterans, health care reform requires that all members of an immediate family join the same plan. If the VA plans are made available to dependents, will this same rule apply? In other words, if a veteran wants to choose a VA health plan,

will he or she be able to choose a VA plan for himself or herself, and a non-VA plan for the rest of the family? Or would a veteran's family have to choose the same plan, just like the families of nonveterans?

Answer. VA would offer family plans and enroll veterans' dependents in VA health care plans. Our interpretation of Section 1012(d)(1) of the Health Security Act defining "electing veteran" is that veterans may enroll in the VA health plan independent of the rest of their family.

Question 4. Under the Clinton plan, all health plans would provide the same basic coverage. However, the VA health plans may also provide, at no additional cost, the kinds of additional psychiatric services and long-term care that VA medical centers currently make available. What would those additional services be under health care reform, and how would they compare to the basic package of services available in other health plans?

Answer. VA health plans will provide enrollees with the same comprehensive benefits package as other health plans will be required to cover. VA health-care facilities will continue to provide other services, such as eyeglasses for adults and adult dental care and long-term mental health services, to veterans under current eligibility requirements.

Question 5. Would those additional services be offered on a space-available basis to Category A veterans, as they are now, or would they be made available to any Category A veteran who requires them?

Answer. Services would continue to be provided to all eligible veterans within available resources.

Question 6. If a low income veteran was eligible for Medicaid, he or she would have the choice between choosing a VA plan and choosing the plan for other Medicaid patients in the region. What would be the advantages of each in terms of costs?

Answer. No cost figures have yet been developed for premiums.

Regardless of which health plan this individual would choose they would have no out-of-pocket costs. If the veteran were to choose a VA plan, the veteran would not be responsible for any cost shares. If the veteran were to choose a non-VA plan, he or she would qualify for financial subsidies to assist in paying the cost shares from the regional alliance.

Question 7. If a veteran who is eligible for Medicare chooses a VA health plan, and he or she has a service-connected disability or is low income, Medicare will not reimburse the VA for that veteran's care. However, if a higher income veteran who has no service-connected disability is eligible for Medicare and chooses a VA plan, Medicare will reimburse the VA for that treatment. In your prepared statement, you wrote that this will not be a new drain on Medicare, because those patients are already being served by Medicare. Can you address this more?

Answer. Higher-income, nonservice-connected veterans today receive care in VA facilities only on a resource available basis. Current appropriations are insufficient to allow VA to meet all the demand for care from these veterans. Consequently, most Category C veterans obtain their health care from private sector sources who bill Medicare. Because these individuals are in a higher income category, and most have Medicare eligibility, they are not restrained by financial criteria from seeking health care.

Question 8. The VA obviously will need new resources in order to compete with other health plans. However, if OMB reduces its annual budget requests for the VA medical system to make up for these projected additional resources, the VA could end up with even less financial support than it now has. I believe it is absolutely essential that these new resources be in addition to the VA appropriations for medical care if health care reform is to succeed. What are your views on this?

Answer. The proposed Health Security Act establishes a special $3.3 billion fund to help VA compete effectively under national health-care reform. The level of both appropriated and non-appropriated resources ultimately received will depend on the number of veterans and their dependents who choose to enroll in a VA plan.

Question 9. You mentioned in your prepared statement that there will be a revolving fund that makes money available to the VA for initial startup costs to increase medical staff and improve facilities in order to attract these additional patients. What types of projects will be funded through these grants?

Answer. No specific projects have yet been identified. However, in addition to using funds to hire more staff and improve the physical plant at some hospitals, funds may be needed for information systems development, marketing and advertising, local market surveys, obtaining actuarial expertise, and maintenance of an insurance reserve fund.

As the VA develops business plans for its health plan operation, specific actions will be identified and prioritized.

Question 10. What is the total amount that the VA needs so that VA plans can compete with other health plans? Can you estimate how much the VA will need for startup costs, and how much you would need on an annual basis? How much money would you expect to come from employer contributions for veterans choosing VA health plans?

Answer. Reliable estimates have yet to be developed. VA health plans must develop business plans based on local market assessments. A market survey is needed also to determine the extent to which veterans are likely to choose a VA health plan. Without this information, it is not possible to accurately estimate costs for VA plans.

Question 11. The legislative and other changes that are needed to prepare the VA for health care reform include eligibility reform; improving access to outpatient services; improving services for women, including reproductive health care; improving attitudes toward "customers," and making sure providers are more conveniently located. What can you tell us about the VA's plans to address these issues on a systemwide basis?

Answer. VA has established a National Health Care Program Office for the purpose of ensuring an effective transition for VA health-care under reform. The Program Office organized nineteen workgroups to develop a detailed conceptual framework for the operation of VA health plans. The work groups also identified a series of actions needed to prepare VA for health-care reform, including developing of provider networks and changing the VA culture.

Question 12. The Vice President's National Performance Review makes a lot of excellent suggestions about making the Federal Government more efficient. However, there is concern that recommendations to cut staff could harm the VA medical system, which is already understaffed.

Has the Administration requested staffing cuts in the VA medical system?

Answer. The FY 1995 budget request for VA Medical Care includes FTEE reductions.

Question 12b. What impact would cuts have on your ability to prepare for health care reform?

Answer. The VA believes, that successful participation under national health-care reform, will require a flexible, innovative, responsive and market-oriented organizational structure. We believe that employment reductions can be achieved from management efficiencies without harming our efforts to prepare for national health reform.

VA will be looking to consolidate support and clinical functions where feasible and appropriate; collaborate with community health-care providers through expanded sharing and contracting arrangements; and mission realignments associated with placing a greater reliance on ambulatory and primary care settings and less on acute care.

Question 13. Many policy makers have been impressed by the impact of VA-DOD sharing efforts over the years. These arrangements seem to have improved access to certain types of care, and made programs more efficient. Do you agree?

Answer. Congress enacted the VA-DOD Health Care Resources Sharing Law (38 U.S.C. 8111) in 1982. A principal objective was to maximize utilization of Federal health-care resources. This is achieved by maximizing economies of scale and combined purchasing power, and by improving access to health-care for beneficiaries.

The number of facilities with VA-DOD sharing agreements has grown steadily since 1984. In 1984, 102 VA and DOD facilities had agreements. In 1993, this number had grown to 332 (141 of which were VA facilities). Facilities involved include medical centers, medical clinics and military reserve units. In FY 1993 there were approximately 600 sharing agreements in effect, covering 3,512 shared services.

The types of services covered by sharing agreements range from major medical and surgical services, laboratory services, pharmacy products, blood, specialty care services, medical equipment, supplies and laundry services. Agreements are locally negotiated and thus reflect local conditions, including identified needs, capabilities, capacity and resources. The services included in sharing agreements and the reimbursement rates used vary with each agreement.

We agree that these agreements have improved access to health services.

Question 14. For the hearing record, please provide a summary of ongoing and planned major VA-DOD sharing agreements, and your assessment of the overall program.

Answer. VA and DOD are pursuing a number of opportunities. Activities at various stages of development are:

- Anchorage, Alaska—A major hospital construction joint venture project is in final design to replace existing Elmendorf Air Force Base Hospital. The project includes 75 acute care beds for the Air Force, and 17 alcohol rehabilitation and 18 acute care beds for VA, a total of 110 beds. Clinical and ancillary services will also be included. Total construction costs are $160 million, of which VA's share is $11.5 million.
- Brevard County, Florida—VA plans to build a 470-bed medical center and a 120-bed nursing home. The Air Force is conducting an economic analysis to determine the extent of its possible involvement in the new medical center.
- El Paso, Texas—Congress appropriated construction funds in FY 1993 for an outpatient clinic adjacent to the William Beaumont Army Medical Center at Fort Bliss. On July 19, 1993, construction began on a four-story VA building near William Beaumont Army Medical Center. This replacement ambulatory care facility will provide selected outpatient services to DOD beneficiaries in exchange for increased VA access to inpatient care.
- Honolulu, Hawaii—In FY 1993, Congress approved $18 million for the design of a hospital facility and renovation of Tripler Army Medical Center's E-wing, which will be used to house VA administrative services. In FY 1994, Congress approved $16 million in VA funding for construction of the Center for the Aging facility. This facility will include a 60-bed nursing home unit and psychogeriatric services.
- Las Vegas, Nevada—The new Federal Medical Facility built to replace Nellis Air Force Base Hospital is scheduled to open in July 1994. Air Force will operate the 128-bed facility, but of the 128 beds, VA will staff its own 52 beds. VA will also continue to operate its Las Vegas outpatient facility.
- Lawton, Oklahoma—VA will construct an outpatient clinic adjacent to the Reynolds Army Community Hospital at Fort Sill. Construction start date is still to be determined.
- Travis Air Force Base, California—VA plans to build a new 243-bed VAMC adjacent to David Grant U.S. Air Force Medical Center. The Travis site will allow sharing arrangements and offer opportunities for new clinical, training and research programs with the University of California at Davis and the Air Force. VA currently operates a 33-bed Nursing Unit within David Grant Medical Center and has access to another 30 beds for VA patient care.
- Tucson, Arizona—VA and Air Force at Davis-Monthan Air Force Base are identifying sharing alternatives.
- Asheville, North Carolina—VA and DOD recently signed a sharing agreement for the Asheville VAMC to provide care for DOD retirees and dependents in the area. Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) funds will be used to pay the VA Medical Center.

VA believes that the VA-DOD sharing has resulted in better patient access to care.

WRITTEN QUESTIONS FROM SENATOR DANIEL AKAKA TO THE DEPARTMENT OF VETERANS AFFAIRS AND THE RESPONSES

Question 1. Medicine is moving toward an outpatient model of health care delivery. In fact, the availability of easily accessible outpatient facilities will likely be an important consideration in an individual's decision whether to join a particular health plan.

What are your short and long range plans with respect to establishing new outpatient clinics in order to make VA more competitive in this respect?

Answer. For several years, we have been shifting an increasing portion of our health care workforce from an inpatient to ambulatory care setting.

For the future, VA is developing plans to restructure operations to enhance several aspects of the VA health care delivery systems. These plans will include decentralizing operations, as well as additional ambulatory care capacity. To remain viable VA must be competitive. Success will depend on continued resource reallocations within VA, and enactment of national health care reform.

The FY 1995 Budget earmarks $225 million out of the $1 billion provided in 1995 through the Health Care Investment Fund to fund eight ambulatory care projects.

Question 2. Under the plan, VA has the right to retain all premiums, deductibles, co-payments or other cost sharing paid to the VA.

Will this make the VA more profit-oriented?

Answer. Under the plan, the VA will become a competitive health plan choice for veterans. The VA plans should be able to set charges taking into consideration not just the full and actual cost of providing services but market factors as well. Any amounts collected above the actual cost of providing services would enhance other services for eligible veterans.

Question 2a. If VA is not going to be profit-oriented, wouldn't this make VA more competitive than its profit-oriented competitors in the field by allowing VA to provide more services or higher quality of care than its competitors for the same amount of revenue?

Answer. We believe new enrollees will make their choice of a plan on the basis of availability and quality of services, and cost of the plan. VA plans will be an attractive choice for veterans. VA will be able to offer veterans "one stop shopping" for the comprehensive benefits required of all plans and for additional VA services not included in the standard benefits package. VA premiums will be competitively priced. VA quality compares favorably with private sector hospitals with JCAHO scores averaging 10 points higher for VA facilities. VA will be taking steps to expand the availability of primary care services to improve access.

Question 2b. Will this create a disincentive for VA to treat service-connected or low-income veterans as opposed to higher-income veterans, since the latter will bring in additional revenue?

Answer. Absolutely not. VA will receive revenue from premium payments from health alliances for service-connected and low-income veterans who enroll in VA plans. In addition, direct appropriations will be available to fund the supplemental benefits these high priority VA patients are now eligible for under title 38.

Question 3. Earlier this year this committee heard testimony that under reform VA could well lose as much as half of its patient base due to veterans opting to join other programs.

If this, or any significant number approaching this amount, was to occur, what would be the effect on VA? What would be the effect on an individual VA health center if not enough veterans signed up for the VA plan in their area?

Answer. Past assumptions made about future veteran behavior or VA workloads under a reformed national health system have not sufficiently considered at least three important factors. First, as currently proposed, national health reform would open the VA health care system to *all* veterans and their dependents. While veterans will be directly treated in VA and contract facilities, we will contract out for services to provide treatment for their dependents. Secondly, service-connected and low-income veterans will pay no out-of-pocket costs for the comprehensive benefits package if they enroll in a VA health plan. Also, VA is decentralizing operations to improve its ability to respond to veteran health care needs at the local level with a view toward retaining and perhaps even increasing its potential patient base. Finally, these factors will help make VA competitive under health care reform.

Question 4. National trends in hiring are based on the availability of trained personnel. The current availability of staff is based on the level of health care we currently provide in this country.

If we as a nation suddenly provide coverage to so many additional people, won't this strain the system as far as staffing? If so, how do you intend to address this problem with regard to VA?

Answer. VA plans will deliver services to enrollees through a variety of delivery mechanisms. Besides providing care with VA staff, VA plans will contract with affiliated medical schools, private hospitals and clinics, and individual providers, possibly establishing preferred provider networks, to ensure a full array of accessible and appropriate services to enrollees. VA will continue to use physician extenders in its delivery system. In order to more effectively use available resources, VA also is planning for the retraining of specialists and other providers in delivery of patient care in a primary care setting.

Question 5. Under health care reform, I would expect there to be significant changes in the way that the VA manages its health centers.

Do you anticipate a significant management training program to help hospital managers/directors address these changes as they relate to the way that they have traditionally operated?

Answer. The changing direction of health care dictated that VA will need to implement new initiatives in primary care, managed care, and quality management.

We must orient and educate VA staff to provide health care services to veterans within a competitive environment.

Separate national training efforts will be developed to combine conference satellite broadcasts and mediated packages to orient top management and service chiefs, health care professionals, and other key staff about managed care and potential implications for their respective roles.

Question 5A. What types of incentives, if any, do you anticipate will be needed to help current managers abandon their old ways of managing in favor of these new approaches to health care delivery?

Answer. VA plans to transform its health care system into an even more responsive, decentralized, customer driven organization that provides quality, cost-effective, accessible health care services. It will do this through adopting a more flexible organization structure, the effective use of technology, by recognizing the interdependent nature of its relationship with the non-VA environment, by adopting a business type orientation, and by the use of reward systems that reflect courtesy and caring. VA fully expects that its managers, as well as all of its non-managerial personnel, will, as they always have, rise to the occasion to make the VA a successful player in the new health care environment.

Question 6. In certain areas of Canada, I am told that the Canadian Government had to take specific actions to close down hospital beds to make their system cost effective. This has created long waiting lists for some types of services there.

Do you envision that this same type of activity might occur here as a means of driving down health costs?

Answer. We do not envision hospital beds being closed by the Government as a cost containment measure. However, some hospital beds may be closed if there is no patient demand for the service. Many procedures previously done in hospitals are now routinely performed on an outpatient basis. Also, as more people move to the Sunbelt, demands for hospital beds will change with possibly fewer beds required in the Northeast, for example. Therefore, market forces may result in bed closures in some areas or may result in more beds in other areas.

Question 7. Under health care reform, VA is expected to remain the backup to DOD in event of war.

To what extent is this a disincentive for veterans to join a VA health plan (since there exists the possibility that veterans will be transferred from VA hospitals to private sector hospitals in the event of war to accommodate casualties)?

Answer. Even in the event of war, service-connected veterans retain their priority for care in VA facilities. Further, it will be the obligation of VA plans to guarantee care for all enrollees in VA plans. VA plans will operate in a fashion that makes the plan an attractive enrollment choice. In the event of war, civilian facilities will be affected with activation of the National Disaster Medical System (NDMS) and may be called upon to accept casualties.

WRITTEN QUESTIONS FROM SENATOR BEN NIGHTHORSE CAMPBELL TO THE DEPARTMENT OF VETERANS AFFAIRS AND THE RESPONSES

Question 1. The Administration's plan states that the VA Secretary may determine if a VA health plan offers family coverage to the dependents of veterans. Do you think it is necessary to provide care for veterans' families in order to make the VA an attractive choice for veterans, especially higher income veterans?

Answer. Yes. We think it is necessary to offer the VA health plan as an enrollment choice for veterans' families.

Question 1a. If so, is the VA prepared, and does it have the training, to offer comprehensive care, either in-house or through contractual relationships, to families?

Answer. Like all health plans, the VA health plan will have to guarantee the comprehensive benefits package to all enrollees. VA has experience in contracting for services not available to veterans within the VA system and, probably, will look first to expanding these existing relationships to form the nucleus of a provider network for veteran dependents who enroll in a VA plan.

Question 2. The Administration proposes that employers of all employed veterans enrolled in a VA health plan pay the employer contribution. This means that employers of service-connected veterans would pay into the system. I understand we need to protect the anonymity of the service-connected veteran, especially if a veteran's illness would be viewed negatively by an employer, but this provision raises questions in my mind.

Does this mean that service-connected employees would be contributing to the health care system indirectly through their employers?

Answer. Employers would be required to pay into health allowances for all employees, whether they be veterans or non-veterans. All employees will have full freedom of choice of any health plan certified in the alliance and full choice of providers. Service-connected veterans today often have no choice but to obtain care at the VA because of exclusions against pre-existing conditions or because they are uninsurable. Under the Health Security Act, service-connected veterans would be able to receive comprehensive benefits from any plan they choose.

Question 2a. Where does the money that is collected from employers of service-connected employees go to?

Answer. Employers pay into health alliances for all employees.

Question 2b. Will self-employed, service-connected veterans have to pay the employer contribution?

Answer. Service-connected, self-employed veterans would be refunded the veteran's premium paid by the health alliance if they choose to enroll in the VA health plan.

Question 3. The Administration's proposal states that VA facilities will be able to receive payments from Medicare and upper income veterans, as a new additional source of revenue outside federal appropriations.

Will this act as a disincentive for treating low-income and service-connected veterans who are not able to provide these extra funds?

Answer. No. All veterans will have free and full choice of enrolling in the VA health plan and the VA health plan will receive premium payments from the regional alliances for all enrollees not just higher income veterans.

Question 3a. In other words, will hospital administrators focus on marketing techniques and medical programs that appeal to or favor upper income veterans, at the expense of low-income and service-connected veterans?

Answer. No, all enrollees, including low-income and service-connected veterans will be generating premium payments from health alliances for VA plans.

Question 4. Recently, a GAO report estimated that under a nationwide universal health plan, the demand for VA inpatient care could drop by about 47 percent. As you know, right now, about 80 percent of all veterans don't use the VA system, as they use private insurers.

What changes will the VA make to compete with other health care providers?

Answer. VA recently established a program office and had approximately 20 work groups develop recommendations to make the VA a competitive player in health care reform. The workgroups identified many changes that will be needed, including changes in organization and care delivery systems. The plan was released publicly on May 5, 1994 (see attached copy).

Question 4a. What kind of marketing techniques will the VA employ in order to retain and recruit patients?

Answer. One of the work groups was tasked with making marketing recommendations. Draft plans that are currently under review include marketing strategies.

Question 4b. In your mind, what effect will national health care reform have on the number of patients using the VA system? Will the patient population increase, decrease or remain the same?

Answer. We do not know yet what effect national health care reform will have on VA. Some geographic areas may see an increase in demand and others a decrease. Many variables may influence a veteran's choice of plan enrollment. Pilot programs that we are proposing in states that are moving forward with reforms should help us estimate the impact.

Question 5. We all know that eligibility reform and health care reform must occur simultaneously.

Please describe your ideas on how rules on eligibility for VA care will be changed under the Administration's proposal?

Answer. Eligibility reform is addressed within the context of national health care reform in that all enrollees in the VA health plan are guaranteed the full range of services in the comprehensive benefits package which includes comprehensive outpatient care, prescription drugs and most prosthetics. The VA plan will be an enrollment choice available to all veterans and their dependents. Service-connected and low-income veterans, and ex POW's would have no out-of-pocket cost shares if they choose enrollment in a VA plan.

Question 5a. When will we see the outlines and details of the Administration's eligibility reform proposal?

Answer. Eligibility reform is addressed within the context of National Health Care Reform as proposed in H.R. 3600, "The Health Security Act."

Question 6. What happens if a VA health plan folds due to lack of participation or mismanagement?

Answer. We will do everything possible to see that the VA operates successful plans. We will have to carefully monitor plan performance. Private sector plans that are successful today have built their enrollment up over a number of years.

Question 7. Right now, as I understand it, the VA offers free, comprehensive care to all veterans with a service-connection rating of 50 percent or above. Persons with disability ratings from 10 percent to 40 percent are only eligible for free care for each particular service-connected injury or illness (e.g., ear or eye damage). The Administration's proposal offers to expand services to those at and below the current 40 percent disability rating by providing comprehensive care, not just care for particular injuries.

Realizing that under current law veterans with disability ratings under 50 percent don't receive comprehensive care, what is the likelihood that current federal appropriations will need to increase in order to provide comprehensive care for all service-connected veterans?

Answer. Since plans will receive premium payments from alliances for all enrollees whose cost of care is not covered by the appropriation; there won't be a need to increase appropriations to cover the cost of care for services in the standard benefits package for service-connected veterans that are not now covered by the appropriation. Additional services such as long-term care will remain dependent on appropriations.

Question 7a. What is the likelihood that the definition of service-connection and income thresholds will need to change in order to keep costs at current levels?

Answer. We do not anticipate a change in these definitions.

Question 7b. Furthermore, if there is an intent to revamp the definitions of service-connected or low-income veterans, what do you see as the possible changes in definitions?

Answer. N.A.

Question 7c. Will any veteran who now receives some free VA care lose benefits under this plan or under related eligibility reform?

Answer. No veteran will lose benefits under the President's proposal.

Question 7d. Can you tell me how many veterans are rated at or above the 50 percent disability level and how many fall below this level?

Answer. As of September 30, 1993, 1,737,804 veterans were rated below the 40 percent disability level, and 459,831 veterans rated above 40 percent disability level.

Question 7e. How much do you project this expansion will cost?

Answer. VA has prepared no cost estimates to date. Many details have yet to be addressed and issues identified. As yet, we have no data on why veterans might choose any particular health plan.

WRITTEN QUESTIONS FROM SENATOR BOB GRAHAM TO THE DEPARTMENT OF VETERANS AFFAIRS AND THE RESPONSES

Question 1. VA has scheduled many important construction projects for Florida over the next few years, including the East Central Florida VA Hospital, the Tampa Spinal Cord Injury Unit, and the Fort Myers Nursing Home.

How will changes in the VA health care system affect current and future VA construction projects?

Answer. VA has recognized the importance and value of a managed health care delivery system and a need to move forward in that direction. Primary and preventive care in an ambulatory setting will be the foundation on which VA managed care is built. VA will focus major construction on establishing, upgrading and expanding ambulatory care centers or clinics in order to be competitive in the health care arena envisioned by national health care reform and the Secretary of Veterans Affairs.

The VA will also extend basic inpatient services to high veteran population areas where such services are not now available, as in the case of the new East Central Florida VA Medical Center. Only availability of comprehensive primary care services will ensure equity of access to America's veterans irrespective of residence.

Question 2. Given Florida's large number of elderly veterans, one of our primary concerns is the inclusion of long-term care in the VA health care system.

What are VA's plans for community-based, long-term care as part of the new health care system?

Answer. The VA is currently developing plans for implementing the President's reform proposal. However, on the assumption that VA will compete with other health care providers in the national plan, VA can look to its long-term care programs, including those community-based programs, as particularly strong, and which together form a model continuum of long-term care that should compete well.

Question 3. As a member of the Senate Veterans Affairs Committee, I have worked for an equitable distribution of resources and personnel to Florida's veteran population. I am concerned that unless steps are taken to address the current imbalance of resources, Florida will disproportionately pay for the cost of health care under the new system, as it does now.

What steps, if any, is VA taking to address these concerns?

Answer. The VHA Resource, Planning and Management (RPM) system was designed to redirect VHA resources toward the hospitals experiencing the largest increases in workload cost. The process does this by estimating the cost of treating patients in different clinical categories, projecting increases and decreases in workload in those patient categories, and reallocating funding to hospitals based on those increases and decreases. There was a partial implementation of RPM for the FY 1994 (RPM's initial year) budgeting process. The Southern Region received $7.3 million to allocate for projected workload changes. The Southern Region consists of VHA medical centers in North Carolina, Tennessee, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Arkansas, Oklahoma, Texas, and the Commonwealth of San Juan, Puerto Rico. The state of Florida, received 33 percent of the regional $7.3 million ($2.4 million) for its medical centers.

Another aspect of RPM recognizes inequities in the cost structure of treating patients and attempts to adjust costs by reallocating dollars from high cost to lower cost medical centers. In FY 1994, $10 million was reallocated on a zero sum basis. Of this $10.0 million, $7.2 million was distributed to Southern Region medical centers and $1.1 million (14.3 percent) was allocated to Florida.

In summary, considering both dollars allocated for increased workload and low unit cost outliers during the RPM process, Florida medical centers received $3.5 million (11.4 percent) of the national total of $30.6 million. Through this funding methodology, Florida facilities should continue to receive favorable funding adjustments because of the workload changes being experienced within the system. Additionally, the activation of the West Palm Beach medical center will provide significant additional resources for the care of veterans in Florida.

CORRESPONDENCE SUBMITTED FOR THE RECORD BY SENATOR MITCHELL

THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

OCT 15 1993

The Honorable George J. Mitchell
Committee on Veterans' Affairs
United States Senate
Washington, DC 20510

Dear Senator Mitchell:

The Department of Veterans Affairs has been deeply involved in the development of the national health care reform plan. I was a member of the White House Task Force, and VA employees represented the Department on virtually all the working groups.

Because the President and First Lady paid careful attention to veterans' needs and gave their unequivocal support to preserving and strengthening the VA health care system, I am pleased to report that America's veterans will be well served under the Clinton national health care reform proposal. I have enclosed a copy of a letter I have sent to the President along with letters of endorsement from a number of veterans organizations.

Please do not hesitate to contact me should you have any questions on VA and national health care reform.

Sincerely yours,

Jesse Brown

Jesse Brown

Enclosure

JB/ne

THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON
September 22, 1993

The President
The White House
Washington, DC 20500

Dear Mr. President:

On Saturday, September 18, 1993, I had the pleasure of joining the First Lady in co-hosting a highly informative meeting for six veterans organizations to discuss Health Care Reform.

This candid meeting was highly productive, and as a result, all six of the major veterans organizations have now endorsed the broad concept of health care reform. The willingness of Mrs. Clinton to enter into an in-depth discussion, and her obvious display of interest and concern for veterans' health care, were instrumental in obtaining the endorsement of these groups. Their letters of support have been delivered to the White House, and I have taken the liberty of enclosing copies for your information.

Subsequently, I held a meeting here at VA with 14 veterans organizations. I am proud to report to you that these groups unanimously support the health care reform concept that you are recommending. A list of these organizations is also enclosed.

Mr. President, the eight million members of these organizations represent a solid core of the 27 million men and women who have served in our Nation's armed forces. So it is accurate to say that America's veterans have joined with you and Mrs. Clinton in this bold initiative to bring comprehensive health care to all Americans. You may wish to recognize this commitment in your address to the Nation before Congress this evening.

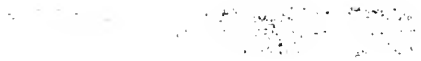
With warm personal regards.

Respectfully,

Jesse Brown

Enclosures: 8
cc: Chief of Staff, The White House

Putting Veterans First



VETERANS ORGANIZATIONS ENDORSING HEALTH CARE REFORM

American Gold Star Mothers
The American Legion
AMVETS
American Ex-Prisoners of War
Blinded Veterans Association
Catholic War Veterans
Disabled American Veterans
Legion of Valor
Military Order of Purple Heart
Non Commissioned Officers Association
Paralyzed Veterans of America
Veterans of Foreign Wars
Vietnam Veterans of America
Polish Legion of American Veterans, USA

SERVING WITH PRIDE

September 20, 1993

Mrs. Hillary Rodham Clinton
The White House
1600 Pennsylvania Ave., NW
Washington, DC 20500

Dear Mrs. Clinton:

I am writing to express AMVETS' appreciation for your personal involvement to reform the VA medical system and to make it a leading force in national health care.

The plan, as presented at our meeting with you on Saturday, September 18 accomplishes much of what AMVETS has proposed to reform the VA system. AMVETS is confident that relatively small changes will provide greater incentive for the higher income, non service-connected veteran to participate. With the addition of a plan to provide long term care in the basic benefits package, VA will become a system veterans will use increasingly and take pride in.

We urge a continuing dialogue between the administration and veterans organizations so that we may assist with the details and support the plan in Congress.

Mrs. Clinton, thank you once again for your service to America's veterans. AMVETS looks forward to working with you on this most important issue.

Sincerely,

James J. Kenney
Transition National Executive Director

JJK/mb

AMVETS

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Lanham, Maryland
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TELEPHONE 301-459-9600
FAX 301-459-7924
FTS 8-344-3552

Motto: "If I cannot speak good of my comrade, I will not speak ill of him."

DISABLED AMERICAN VETERANS

NATIONAL SERVICE and LEGISLATIVE HEADQUARTERS
807 MAINE AVENUE, S.W.
WASHINGTON, D.C. 20024
(202) 554-3501

September 20, 1993

The First Lady Hillary Rodham Clinton
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Ms. Clinton:

I am writing to extend the most genuine appreciation and gratitude of the Disabled American Veterans for your taking the time out of what must be a most hectic schedule to meet with the Veterans' Service Organizations this past Saturday to apprise us of the role identified for the Department of Veterans Affairs (VA) in the quest to make meaningful health care reform a reality for the citizens of our nation.

At the conclusion of the meeting, there were, I believe, three salient points that emerged. First, was the President's deep, personal feelings and commitment to the importance of maintaining and preserving an independent, quality VA health care system whose primary mission will continue to be the treatment of disabled veterans. The DAV agrees this is how it should be.

Secondly, and what we view to be the most central feature of the reform package, is the assurance that veterans now utilizing the VA for their health care needs will not experience a diminution of services. In fact, many veterans will experience an increase in the scope of benefits provided by VA.

Finally, we embrace the concept of securing reimbursement for the care provided certain veterans from Medicare. We agree with you that this is most central to the continued stability of the VA in the years to come.

In summation, Mrs. Clinton, the DAV supports and endorses the role identified for the VA in the Administration's Health Care Reform Plan.

Sincerely,

ARTHUR H. WILSON
Executive Director
Washington Headquarters

AHW:nb

. Legion ★ NATIONAL HEADQUARTERS ★ P. O. BOX 1055 ★ INDIANAPOLIS, INDIANA 46206 ★
(317) 635-8411 ★

OFFICE OF THE
NATIONAL COMMANDER

September 21, 1993

Mrs. Hillary Rodham Clinton
The White House
Washington, DC 20500

Dear Mrs. Clinton:

Thank you for inviting our staff to participate in the informative briefing on September 13, about how veterans will be affected by the administration's Health Security Act.

The American Legion's Veterans Planning and Coordinating Committee has been discussing this issue for more than 2 years. The recommendations of the VPCC were endorsed by the Legion's National Executive Committee in May 1992, and our plan was published late last year.

From the beginning of your deliberations on a national health care plan we were concerned not so much with what veterans could get out of any change in the delivery of health care nationally, but with the prospect that veterans might be left out of the overall mix of delivery schemes. On several occasions in the past 8 months we have shared our concerns with Secretary Jesse Brown and with you. Clearly, you and the members of the health care task force took our concerns seriously, and we are most appreciative of the efforts each of you made to ensure that veterans will be treated with equity and dignity.

While we do not know the final shape of the Health Security Act, we stand ready to fight to protect the benefits that have been described to us by you and Secretary Brown, and to use the power we have to let members of Congress know how we feel.

The American Legion will not stand by and let VA suffer from the status quo. We are well aware of the importance of the inclusion of VA health care in a national health program, if the system designed for veterans is to survive.

Sincerely,

Bruce Thiesen

BRUCE THIESEN
National Commander

NATIONAL HEADQUARTERS
5413-B BACKLICK ROAD
SPRINGFIELD, VA 22151-3980
(703) 642-5360 (FTS-) 3863

OFFICE OF National Commander

September 21, 1993

Hillary Rodham Clinton
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mrs. Clinton:

It gives me a great deal of pleasure to inform you that the Military Order of the Purple Heart of the USA, an organization of combat wounded veterans, endorses the VA Participation in the National Health Plan as outlined by Secretary Brown in a recent briefing to the Veterans Service Organizations. We hope that the Secretary's plan will be adopted as part of the National Health Plan.

Sincerely,

Michael D. Tomsey

MICHAEL D. TOMSEY
National Commander

MDT/hrc

Vietnam Veterans of America, Inc.
1224 M Street, NW
Washington, DC 20005-5183

(202) 628-2700
(202) 628-5880 fax

In Service to America

September 20, 1993

The First Lady
Honorable Hillary Rodham Clinton
Old Executive Office Building
17th and Pennsylvania Avenue, NW
Room 100
Washington, DC 20503

Dear Mrs. Clinton:

This letter is intended to express the sincere appreciation of my organization, Vietnam Veterans of America (VVA), for your inclusiveness and openness in responding to the concerns of the organized veterans community on health care issues throughout your work in crafting a comprehensive health plan for the nation. The veterans community provided you with its preferences and you delivered by sustaining VA's health operations as an independent entity within the overall national health plan.

It is gratifying to note that the extraordinary hospitality you and the President have shown the veterans organizations is without parallel in recent memory. In this connection, it is hoped the demonstration of hubris by a representative of one of the veterans groups at last Saturday's meeting is not mistaken for a representation of ingratitude by all of the veterans groups.

Mrs. Clinton, even without having reviewed the important details of your plan, you may feel free to assume with considerable confidence that VVA is prepared to place the full weight of its advocacy efforts on Capitol Hill behind your plan. It may also interest you to know that unlike most of the other veterans groups, the availability of choices for VA-dependent veterans in selecting health providers, as your plan makes possible for the first time, is even more important to VVA than the maintenance alone of an independent VA health system.

Under the circumstances, our involvement in the legislative effort to achieve national health will be focused not only on VA, but instead on the overall program. This is because we are convinced that the better the program for the nation as a whole, the better the choices for veterans. The only difference we have with you on this program has more to do with assumptions than with substance. We have less confidence than perhaps you have in how successful VA will be in becoming user-friendly and therefore competitive in attracting paying subscribers to VA health facilities. What we are certain of however, is that VA health cannot survive in a national health environment absent your program for veterans.

As the battle lines begin to take shape in this titanic struggle to achieve national health, we look forward to playing a role in supporting both you and the President. It should be added here that the reach of our efforts will extend well beyond the Veterans Affairs Committees. It is indeed ironic that Vietnam veterans have never enjoyed the privilege of being able to rely on the Veterans Affairs Committees alone.

Sincerely,

Paul S. Egan

Paul S. Egan
Executive Director

VETERANS OF FOREIGN WARS OF THE UNITED STATES

THE COMMANDER-IN-CHIEF

September 22, 1993

Hillary Rodham Clinton
The White House
Washington, DC 20002

Dear Mrs. Clinton.

On behalf of the Veterans of Foreign Wars of the United States I would like to thank you for your efforts in working toward health care reform. We are particularly appreciative that you have solicited our views, and the views of our fellow veterans service organizations, throughout the process. We believe the health care reform concept proposed by the Administration is a good one. Further, we believe the role assigned the VA health care system under this plan is good for America and in the best interest of veterans. We are pleased to offer our support.

I would also like to commend Secretary of Veterans Affairs, Jesse Brown. On this issue, as with many others, he has encouraged veterans to become part of the process thereby ensuring our concerns are addressed and voices heard.

As the health care debate begins the VFW looks forward to continued dialogue with both the Administration and Congress. Tough and difficult battles lie ahead. We are preparing for future battles confident that we will ultimately succeed.

Sincerely,

George R. Cramer

George R. Cramer
Commander-in-Chief

PARALYZED VETERANS
OF AMERICA
Chartered by the Congress
of the United States

September 22, 1993

Mrs. Hillary Rodham Clinton
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mrs. Clinton:

On behalf of the members and officers of the Paralyzed Veterans of America (PVA), I want to thank you and commend you and all the individuals involved with the "American Health Security Act of 1993," to secure health-care reform for all Americans. As a veterans' service organization chartered by Congress with the mission of ensuring that the needs of veterans who have experienced catastrophic spinal cord injury or dysfunction are met, we applaud and support your efforts to secure appropriate, affordable health care for all Americans.

I want to extend PVA's appreciation for the time you spent this past Saturday, September 18, briefing us on the outlines of the proposal and listening to our concerns. As you advised, we are working with the Secretary of Veterans Affairs, Jesse Brown, to clarify those issues which remain a concern to our members and we have conveyed those issues to the Secretary in a separate letter.

PVA is extremely pleased that the plan, as outlined, provides for a national, independent veterans health care system. And, we support your initiative to incorporate additional resources such as Medicare funding into the income stream available for veterans' health care.

Beyond the VA initiative, your efforts in health care reform offer, for the first time a substantial new program of long term care and assistive services offering new hope for millions of Americans with disabilities. Your efforts afford new prospects for those Americans who have experienced catastrophic disability for a more dignified and cost-effective alternative to institutional care.

PVA supports the concept of your program and we look forward to working with the Administration and the Congress, to bring about this much needed change. We thank you and all involved in this endeavor.

Respectfully,

Gordon H. Mansfield
Executive Director

cc: Honorable Jesse Brown, Secretary of Veterans Affairs

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